

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of: J. Roger Kelley

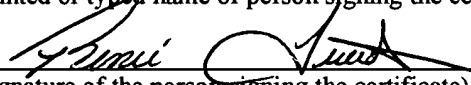
Serial No.: 09/849,078

Filed: 05/04/2001

For: **Regulatory Online Management System**

Group No.: 2164

Examiner: Wong, Leslie

<p style="text-align: center;">CERTIFICATE OF MAILING</p> <p>I hereby certify that this correspondence is being deposited with the United States Postal Service as Express Mail Label No. EL978251377US in an envelope addressed to: Mail Stop: AF, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450 on <u>January 12, 2007</u>.</p> <p style="text-align: center;"><u>RENEE TREIDER</u></p> <p>(Printed or typed name of person signing the certificate)</p> <p style="text-align: center;"></p> <p>(Signature of the person signing the certificate)</p>

**DECLARATION OF PRIOR INVENTION IN THE UNITED STATES
TO OVERCOME CITED PATENT OR PUBLICATION (37 C.F.R. § 1.131)**

I, the undersigned, hereby declare and state that:

1. I am over the age of 21 years, of sound mind, and competent in all respects to make this declaration.
2. I am the inventor of the subject matter of the above-referenced application, entitled, "Regulatory Online Management System," (hereinafter "Application")
3. Claims 1-10 stand rejected under 35 U.S.C. § 102(e) as anticipated under U.S. Pat. Application No. 2003/0115198 issued to Singer *et al.* (hereinafter "Singer"). Claim 11 stands rejected under 35 U.S.C. § 103(a) as being obvious over Singer view of U.S. Pat. No. 5,668,735 issued to Dominguez *et al.* (hereinafter "Dominguez"). Claims 12-23 stand rejected under 35 U.S.C.

§ 103(a) as being obvious over Singer in view of Dominguez and further in view of EPA Document AP-42 and engineering/industry calculations.

4. Sometime prior to September 1, 2000, I, the undersigned, developed a definite and permanent idea of the complete and operative invention, including an understanding and appreciation of the subject matter of at least the Claims of the Application, as demonstrated by the evidence referenced and discussed below.

5. This declaration is to establish the invention of the claimed subject matter of the Application in the United States at a date prior to September 1, 2000, the earliest priority date of Singer. This declaration also establishes the diligence of the inventor towards a constructive reduction to practice from the time period just before the priority date of the Singer (i.e. September 1, 2000) to the constructive reduction to practice of Applicant's invention (i.e. May 4, 2001, the filing date of Applicant's patent application).

6. Singer is a continuation of application No. 09/654,515, which was filed on September 1, 2000. The continuation application (ser. no. 09/654,515) does not claim priority to any earlier filed application. Singer was published on June 19, 2003. Singer teaches "an environmental permit web portal that permits access to and a data entry path for an environmental permitting, compliance, submittal, and enforcement system by remote users, such as regulated entities or regulating agency personnel and, more particularly, to a system allowing users to create, select, edit, complete, certify and pay for environmental permits, reports, registrations, questionnaires, surveys, certificates, applications as well to submit encrypted supporting electronic files and access to real-time facility-level and/or user-specific regulatory data." While Singer is only an application, it does not appear to claim the invention of the application. The application was filed on May 4, 2001, less than one year after Singer's earliest priority filing date of September 1, 2000.

FACTS AND DOCUMENTARY EVIDENCE

I. Conception of Invention

7. To establish a date of conception of the invention of this application prior to the priority date of Singer, the following attached documents are submitted as evidence, all of which are true copies of the originals and all of which are hereby incorporated by reference:

Exhibit 1: An internal, draft Flow Chart, including a file history print-out establishing a document creation date of March 17, 1998;

Exhibit 2: Executive Overview dated June 26, 1999;

Exhibit 3: Tenfold Presentation dated August 9, 1999;

Exhibit 4: An internal, draft Business Plan, including a file history print-out establishing a document creation date of August 13, 1998;

Exhibit 5: A December 9, 1999 facsimile from the listed inventor, Roger Kelley, which facsimile included a Draft Document titled: ENDC PROCESS FLOW OVERVIEW" dated December 1999, in which the invention is described;

Exhibit 6: Business Plan 10-99 dated December 17, 1999;

Exhibit 7: Regulatory Online Management.Com (ROMDC) dated August 21, 2000;

Exhibit 8: ROMDC Assumptions dated April 5, 2000;

Exhibit 9: Business Plan dated April 20, 2000;

Exhibit 10: Regulatory Database Program dated May 15, 2000;

Exhibit 11: News release dated June 27, 2000;

Exhibit 12: Business Plan dated June 30, 2000;

Exhibit 13: An internal newsletter titled "Regulatory Online Manager News" dated July 8, 2000; and

Exhibit 14: Business plan outline dated July 25, 2000.

8. Illustrative of Applicant's Claims is amended pending claim 1, the broadest of Applicant's claims, which reads as follows:

Claim 1. A method for collecting, assimilating and utilizing data from a variety of sources for determining the regulatory requirements and for generating the related compliance reports for a specific facility in a given industry, the method comprising the steps of:

- a. collecting external data externally generated from and unrelated to a specific facility but required for compliance requirements of a governmental compliance model;
- b. collecting internal data uniquely associated with said facility and internally generated from said facility;
- c. assimilating the external data and the internal data in a processor to determine compliance by the user;
- d. automatically generating a report based on the assimilation, which report is unique to the facility and contains the required governmental compliance information.

In short, claim 1 comprises four steps, including collecting external data, collecting internal data, assimilating the external data and the internal data, and automatically generating a report. All four of these steps are detailed throughout the documents attached as Exhibits 1-14.

9. While all of the documents attached as Exhibits 1-14 discuss various aspects of the four steps of claim 1, as one example of the correspondence between the evidence the corresponding claim elements, the following discussion of Exhibit 5 illustrates in detail all of the four steps of claim 1 (described in Exhibit 5 via the software process flowcharts accompanied by a textual description).

Step 1

With respect to the first step, "collecting external data externally generated from and unrelated to a specific facility but required for compliance requirements of a governmental compliance model," the document of Exhibit 5 describes this step throughout the document, both in the description thereof and within the flowcharts on pages 5 and 7. In particular, the Program Process Flow Diagram of page 5 shows a step for "Direct Data Entry." See Exhibit 5 at 5. The next process box labeled "Data Links to External Site Locations" indicates the process step for "collecting external data that is externally generated from and unrelated to a specific facility but required for compliance requirements of a governmental compliance model." The accompanying textual description in Exhibit 5 describes some of the external non-facility specific data, including regulatory thresholds and regulatory contact data. See Exhibit 5 at 3.

Step 2

With respect to the second step, “collecting internal data uniquely associated with said facility and internally generated from said facility,” the document of Exhibit 5 describes this step throughout the document, both in the description thereof and within the flowcharts on pages 5 and 7. In particular, the process box labeled “Manual Data Entry” indicates the step in the flowchart for collecting internal data uniquely associated with and internally generated from a facility. The next process box in the flowchart describes the data being input into the software program, including, facility data, personnel data, equipment data, source data, and production data. See Exhibit 5 at 5. Additionally, the accompanying description in Exhibit 5 describes a user entering various types of facility specific data including personnel data, facility data, equipment data, and production data so as to populate a database prior to accessing a functional module. See Exhibit 5 at 1.

Step 3

With respect to the third step, “assimilating the external data and the internal data in a processor to determine compliance by the user,” the document of Exhibit 5 describes this step throughout the document, both in the description thereof and within the flowcharts on pages 5 and 7. In particular, the software flowchart of page 5 shows a “Module Functions/Calculations” process step following the previous collecting data steps of step 1 and step 2. See Exhibit 5 at 5. Additionally, the accompanying description in Exhibit 5 explains how the data collected in steps 1 and 2 are assimilated in a processor to determine compliance by a user, namely through a series of calculations. See Exhibit 5 at 1-4 and 6-7.

Step 4

With respect to the fourth step, “automatically generating a report based on the assimilation, which report is unique to the facility and contains the required governmental compliance information,” the document of Exhibit 5 describes this step throughout the document, both in the description thereof and within the flowcharts on pages 5 and 7. In particular, subsequent to the “Module Functions/Calculations” process step, a “Reports Generated for Submission” process step is shown in the software flowchart of page 5. See Exhibit 5 at 5. The accompanying description in Exhibit 5 describes this process step in further detail. See, e.g., Exhibit 5 at 2 (explaining that “the system will generate a compliance status report for the operator

indicating which, if any of these criteria has exceeded the accepted regulatory requirement” and that the “user will then have the opportunity to review the results and reports generated by the system and decide whether the report is acceptable for submission.”). The accompanying description in Exhibit 5 continues as follows:

Results / Audit

Once the results have been obtained and the reports have been generated, the user will have the opportunity to audit the data and the report for accuracy and quality control.

...

Reports Generated for Submission

The module will now generate a final report for submission to the governing body or agency. The historical reports will be stored locally on the PDB rather than at the server interface to provide more secure data control. Companies will be able to retrieve these historical reports at any time on their own system data base rather than having to log on to the on-line system. Reports may be either printed and submitted in hard copy as is the case yet with most agencies, or they may be submitted electronically if the agency is set up for this service.

See Exhibit 5 at 4.

Thus, as demonstrated directly above, the conception of each and every method step of claim 1 (the broadest claim) is detailed in the document of Exhibit 5.

II. Diligence

10. To establish a diligence by the inventor, the following documents are submitted as evidence, all of which are true copies of the originals and all of which are hereby incorporated by reference:

Exhibit 15: NewsPlan Outline dated September 14, 2000;

Exhibit 16: Organization Chart dated September 19, 2001;

Exhibit 17: Business Plan 200 Executive Summary dated September 21, 2000;

Exhibit 18: ROMDC-revenue-v11 dated November 7, 2000;

- Exhibit 19: Revenues 11-16-00 dated November 18, 2000;
- Exhibit 20: Book.2 dated January 15, 2001;
- Exhibit 21: Logos dated February 18, 2001;
- Exhibit 22: ROM2 dated February 27, 2001;
- Exhibit 23: One Page Summary dated February 28, 2001;
- Exhibit 24: One page Summary dated April 10, 2001;
- Exhibit 25: Bob Hainey Memo dated April 26, 2001;
- Exhibit 26: Final version of revised business plan dated May 1, 2001;
- Exhibit 27: ROL Sample dated May 14, 2001; and
- Exhibit 28: Project Timeline hart dated July 25, 2001.

11. The Applicant avers as follows with respect to the diligence and inventor activities towards a constructive reduction to practice from the time period just before the priority date of the prior art reference Singer (i.e. September 1, 2000) to the construction reduction to practice of Applicant's invention (i.e. May 4, 2001, the filing date of Applicant's patent application):

(a) Kelley Engineering Company, Inc. (Kelley) has been the sponsoring company of what has eventually become the Regulatory On-Line Manager (ROMGR) since its inception in 1995. Kelley has worked on this project continually since that time in an attempt to perfect the operating system and going through many iterations with software companies as well as investors, trying to find the right mix of talent and resources to develop this product. Kelley began developing ENCOMPS® in 1995 in cooperation with Merrick Systems, Inc., a Houston based oil and gas software development company. This relationship was terminated in 1997. Kelley took up the effort at that time and began working with other software development companies as well as investors in an effort to continue development of the product. Kelley continued through 1998 and 1999 to work on the process flow for all of the calculation modules as well as the basic information modules of the program. ROMGR basically automates the permitting and other regulatory reporting processes that Kelley currently performs using hard copy reports and calculation

spreadsheets with manual data entry. In short, ROMGR represents the digital version of Kelley's consulting services.

(b) The efforts of 1998-199 ultimately lead to the partnership with the law firm of Bracewell & Patterson, LLP, to develop the patent application that was ultimately filed on May 4, 2001. The following timeline accounts for the activities of the inventor during the time period between September 2000 and May 2001. The follow chronological explanation of these activities begins with efforts as early as June of 1999 and includes a sampling of documents that represent the activity that transpired in the time period during which they were generated. Because the activities of the inventor prior to just before the priority date of Singer (i.e. September 1, 2000) are not relevant to the showing of diligence, all documents developed during these times periods are not included and the only effort to present a continuous month to month documentation begins in December of 1999. The technical development of the actual modules has been an ongoing effort and continues to be as the financial projections as well as the marketing and administrative functions are all intimately related and inter-dependent. For the purpose of this submission, the following narration concerns the period from just before September 2000 to May 2001.

(c) Chronological Timeline of Events:

May-June 2000

I submitted the first version of the process description and calculations for the patent application to the attorneys of Bracewell & Patterson. See Exhibits 10-12.

July 2000

During this time, I developed start-up plans, additional software flowchart designs, business plans, and news releases. See Exhibits 13-14.

August 1-31, 2000

August 21, 2000 ENDC.Finances – Developed financials and accompanying assumptions based on project needs. See Exhibit 7.

September 1-30, 2000

September 14, 2000 NewsPlan Outline - Developed an outline of the business plan and the process flow of the product ROMGR. See Exhibit 15.

September 19, 2000 OrgChart.1 – Developed a project development personnel organizational plan. *Sæ* Exhibit 16.

During this time period, I was preparing the organization of the project and continued with the software process development.

October 1-31, 2000

I began preparing presentations to be used interactively on the project web site for ROMGR. I continued to write process descriptions and software modules for the patent application during this entire period described.

November 1-30, 2000

November 7, 2000 ROMDC-revenues-v11 – Financials for development and implementation of the software. *Sæ* Exhibit 18.

November 18, 2000 Revenues 11-16-00 Updated financials. *Sæ* Exhibit 19.

December 1-31, 2000

December Meetings and off site seminars at Kelley Engineering with various clients took the majority of this month, also taking into account the time off for the Thanksgiving and Christmas holiday season. I continued to conduct consulting services with their client during this entire development process. The end of year is always occupied with extensive travel and training. However, I did continue to make contact with various software development as well as software outsourcing firms during this period. I met with the Gas Research Institute in Chicago regarding their air calculation routines as well as several other technical and accounting software entities. ROMGR intends to partner with these companies to use the standard industry routines to perform calculations that are acceptable to the state and federal agencies.

January 1-31, 2001

January 15, 2001 Book.2 – Research data. *Sæ* Exhibit 20.

I continued the aforementioned activities as described. This document represents some well research data that I acquired from a trade association web site.

February 1-28, 2001

February 18, 2001 Logos – Software marketing logos. *Sæ* Exhibit 21.

February 27, 2001 ROM2 – Revised business plan and project design based on the inform gained in the project research as well as contacts with other interactive agencies and associations. See Exhibit 22.

February 28, 2001 One Page Summary – Software process summary developed. See Exhibit 23.

I performed more revisions and review of the patent application claims as set forth by Bracewell & Patterson patent attorneys. During this entire month, I continued to work with software development companies to review their development process capabilities. Also continued to contact industry trade groups and state and federal government agencies to describe the proposed project and to build relationships for the digital pipeline to be used in the electronic submission of the data generated by ROMGR for its clients.

March 1-31, 2001

The oil and gas trade associations were contacted this month to establish technology sharing within their membership. Particularly, I met with the Petroleum Technology Transfer Council (PTTC), under the direction Department of Energy (DOE) and the Independent Petroleum Association of America (IPAA). I described the workings and benefits of the proposed software project to this entity in attempt to garner support for the project, and was successful in doing so. I also contacted the Interstate Oil and Gas Compact Commission regarding these same issues. The support of both of these groups is critical to the success of ROMGR.

April 1-30, 2001

April 10, 2001 OnePageSummary – Software process summary to be used with potential investors as well as with other interactive parties. See Exhibit 24.

April 26, 2001 BobHainey Memo – Meeting with Internet Development Solutions Inc. See Exhibit 25.

I again reviewed the patent claims as constructed by Bracewell & Patterson patent attorneys and made comments and corrections. Continued to work on software module development by applying the processes to actual client projects. Used SPCC as well as air and auditing modules to determine the effectiveness as well as to determine further needs.

May 1-31, 2001

May 1, 2001 ROL.final – Final version of revised business plan and process description before filing the patent application. See Exhibit 26.

May 14, 2001 ROL. Sample – Sample of marketing / fundraising letter with confidentially agreement to be used with all potential beta testers and clients. *See* Exhibit 27.

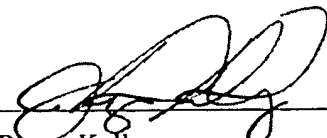
Provided final overview of patent application. Continued to test modules with emissions inventories, Title V reporting and SARA Title III reporting. Also tested SPCC and NPDES-DMR reporting forms and permit applications.

I have continued to adjust and modify the various calculations and reporting modules throughout the software development stages of this project.


12. Thus, the above timeline documents the relevant diligence time period with reference to the voluminous exhibits in support of the timeline, the relevant diligence time period being from just before September 1, 2000 to May 4, 2001. As shown above, the inventor was continuously working towards an actual or constructive reduction to practice as evidenced by the above described activities.

13. Moreover, it will be appreciated that the foregoing invention is a software/Internet application. Efforts to reduce the conceived idea to practice primarily involve the writing of software, software modules, and source code in order to execute the steps of the invention. As is evidenced by the foregoing documents, these efforts were continuously ongoing since conception until filing of the Application.

I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true, and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.



J. Roger Kelley




Date

EXHIBIT 1

I

flowchart Properties ? x

General | Security | Summary |

 flowchart

Type of file: WordPerfect 11 Document

Original file: WordPerfect 11 Document

Opens with: ☒ WordPerfect(R) 11 Change...

Location: C:\ROL Patent Doc\

Size: 18.3 KB (18,786 bytes)

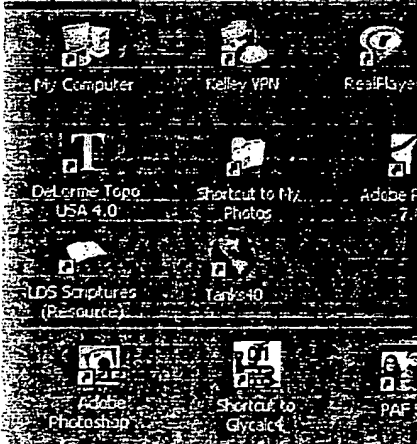
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Modified: Tuesday, March 17, 1998, 2:12:22 AM

Accessed: Today, March 06, 2006, 12:28:11 PM

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REGULATORY DATABASE PROGRAM

I. Database Input - All data may be entered initially or on an as need basis, such that a grand data entry project need not necessarily be required.

A. Personnel

- Enter all personnel at all levels of the company that are involved in the regulatory process, along with their job function, location, level of responsibility, etc.
- Assign a personnel I.D. number to each individual involved with a particular facility, property or group of facilities or properties. This I.D. number will link this person to a particular facility or property or to a certain job function or both, with a time function involved.
- For those individuals with responsibilities at upper management levels, special I.D. numbers will be assigned to identify them as such.

B. Facility

- Location, i.e. Latitude/Longitude; UTM Coordinates, City, County, State, etc.
- Type, e.g. Oil/Gas Production Facility, Gas Plant, Disposal Facility, Compressor Station, etc.
- Facility I.D. number - assigned by the operator of the facility
- Operator I.D. number - assigned to the operator of the facility

C. Equipment

- Each piece of equipment involved in the regulatory process, i.e. tanks, compressors, pumps, process units, etc. will be entered into the data base with the required data.
- Each piece of equipment will be assigned an equipment I.D. number that will remain with that equipment as long as it is owned by the company. This I.D. number will be linked to the facility on a timed basis in order to allow calculation of air emissions from that particular piece of equipment, etc.

- The user will be prompted to enter all of the pertinent equipment specifications required to perform the various reporting functions. These specifications may be entered as a batch function or on an as need basis.

II. Functional Modules

A. Topics - The regulatory topics to be addressed by the functional modules include but are not limited to the following regulatory statutes:

- Spill Prevention Countermeasure and Control
- SARA Title III
- Air emission compliance
- Waste water discharge monitoring and reporting - NPDES
- Toxic Wastes reporting - TSCA
- Waste management tracking and planning
- Underground Injection Control - testing, monitoring and reporting
- Environmental and safety training
- Naturally Occurring Radioactive Materials (NORM)
- And other environmental safety and regulatory issues that have application in oil and gas exploration and production operations

B. Operation of Functional Modules

Each of the functional modules listed in II.A. above will perform either a reporting function, a calculation function, a documentation functions, or any combination of two or more of these functions. The user will log on to the Internet based program through the product web-site. For a first time user, a registration program will be available that will require the user to enter the necessary information that will establish an account with Gasinfo.com complete with passwords log-on I.D.'s etc. The choices available to the user at this point will be:

- 1) Enter data directly into the database choosing from one of the database

entry routines as listed above,

- 2) Access a functional module and enter the data as directed by the prompt driven system,
- 3) Enter into one of the infobase systems to access any one of the many industry information services provided by the program, or
- 4) Access another website that is linked into the Gasinfo.com site.

III. Individual Module Operation

A. Spill Prevention Control and Countermeasure (SPCC) Plans -

The SPCC module performs a compliance function that allows the user to enter facility, personnel and personnel information into the database which is in entered into Federally required report form. The module also takes the operator through a prompt driven series of questions, the answers to which enable the program to complete the SPCC plan. In this prompt driven process, the user may either accept the default answers or custom design an SPCC report that reflects a modified operating scenario. This module involves:

- Data entry
- Question and answer session
- Simple calculations

B. SARA Title III Reporting

The SARA module performs a compliance function that involves data entry, decision tree analysis with regard to inventory volumes, and a very intense report generation routine. Chemical inventory data is entered into the database along with the facility data. From this information the module can determine the target agencies for the site specific reports, generate reports and letters, and document the reporting effort.

C. Air Emission Compliance and Reporting

The air emission module is one of the more complicated routines with regard to calculations and documentation. This module has a built in time function that allows the program to track air emissions for each subject facility over a particular time period for reporting purposes. This module involves intense data entry, documentation, calculations, and reporting. Compliance reports can be generated and modified automatically from facility to facility using the time based function.

D. Waste Water Discharge Monitoring Reports (DMR's)

The waste water module also involves a time function which allows the user to input analytical data from the monitoring of waste water discharges under the Federal National Pollutant Discharge Elimination System (NPDES) program on a timed basis in order to fulfill the reporting requirements of this statute. The waste water module also involves a calculation and a documentation function which takes the raw data, enters the results on the required form, and completes the remainder of the document using the facility and personnel data in the database.

E. Toxic Substances Reporting - (TSCA)

This module uses a documentation and calculation routine to document and report the use and production of substances subject to this act.

F. Waste Management and Tracking

The waste management module is primarily a waste management program to track the treatment, storage and disposal of wastes generated during the exploration and production of oil and gas. This module involves a documentation and a time function to track the compliance with waste regulations on the State and Federal level.

G. Underground Injection Control (UIC)

The UIC regulations require that operators conduct mechanical integrity testing (MIT) on all underground produced water injection wells on a regularly scheduled basis. The UIC module requires input into the data base of MIT results as well as well characteristics, documentation, simple calculations, and form completion.

H. Environmental and Safety Training

Some of the environmental and safety statutes require that operators conduct regularly scheduled training of employees regarding the requirements of these statutes. This module provides for the timed documentation of this training as well as record keeping and reporting. This information will be entered into the personnel database as well as to that pertaining to the applicable statute.

I. Naturally Occurring Radioactive Materials (NORM)

NORM is a naturally occurring substance that is associated with almost all minerals that originate below the earth's surface. Most of the state oil and gas regulatory bodies have adopted a regulation that sets a threshold level for NORM in oil field equipment and the surrounding environment, i.e. soils, water, etc. The

NORM module provide for documentation of the monitoring or testing for NORM in these areas. This testing is usually a one time occurrence on a single well lease, but may require repeating an a lease where conditions may change. This module involves data entry and documentation, including some personnel monitoring.

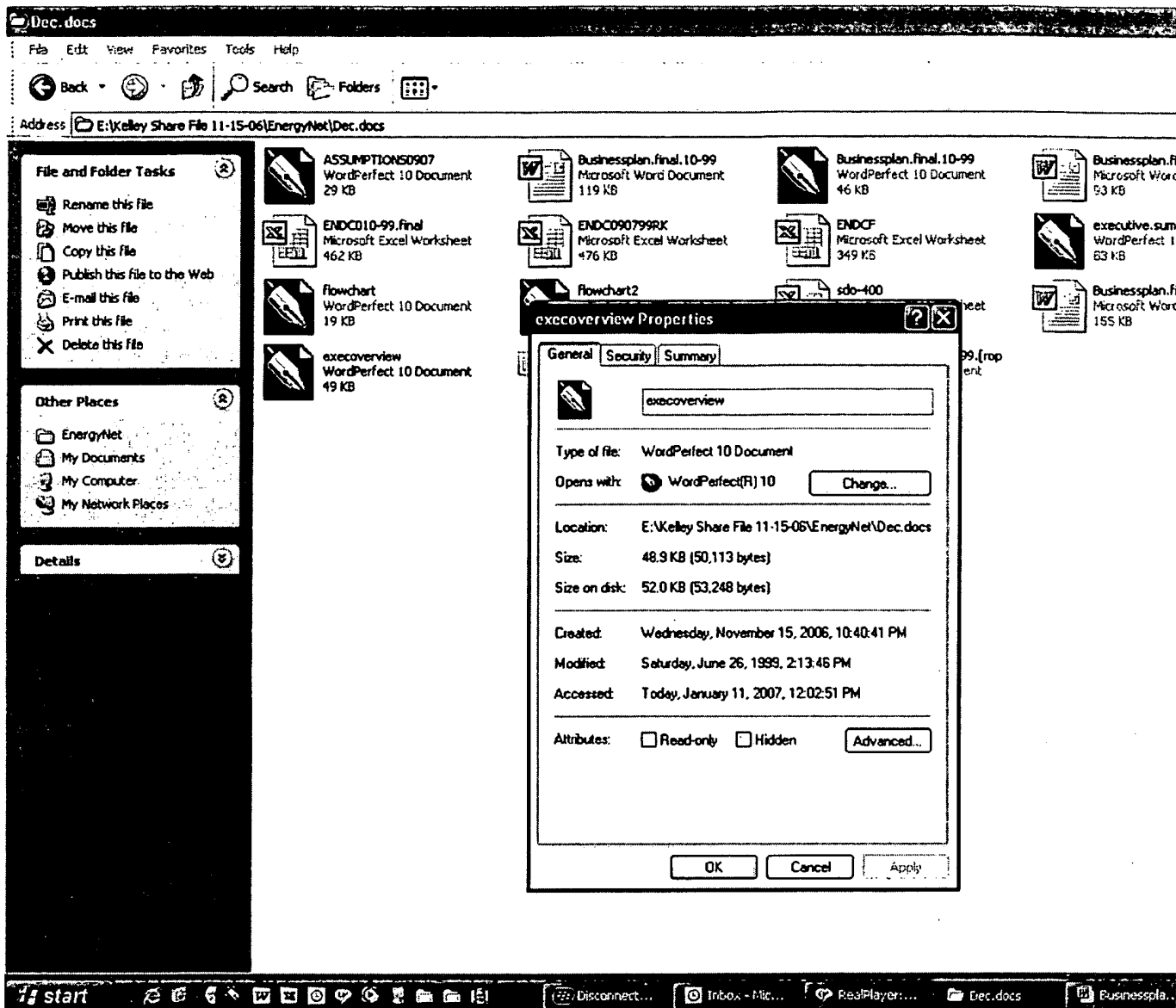
J. Other modules will be added to this data base system as the regulatory needs arise. The oil and gas exploration and production operations involve reporting and monitoring for production allowables, production rates, sales volumes, etc. Further, the modules included in this database program also have applications in other industrial and commercial operations, and will in time be adapted to those applications.

IV. Infobase System

The infobase system will serve as a resource for statutory references, industry practices, reporting forms and guidelines, current developments in regulatory issues, etc. The infobase system will be populated in a variety of ways, including but not limited to the following:

- Annotated state and federal environmental statutes, rules and regulations provided through links to other services or through individual research.
- Recommended practices and industry standards provided by industry trade associations.
- Reporting forms, guidelines, and procedures that facilitate compliance with state and federal environmental rules and regulations obtained from regulatory agencies, reformulated for the database program. Many of these forms will be completed by the information provided in the various functional modules.
- Current trends and developments in regulatory and legal matters related to oil and gas exploration and production operations. This information will be retrieved from trade associations, lobby groups, and other information services and provided on the infobase for producers to use in the making of business decisions.

EXHIBIT 2



BUSINESS PLAN '99

Energy_Net.com (ENDC)

Executive Summary

Energy_Net.com (ENDC) was born out of a recognized need in the marketplace. ENDC is a PC based, Internet accessible information management system designed to assist energy companies in managing their environmental, safety and regulatory compliance issues. As an Internet accessible system, ENDC enters the market with many advantages. First it offers an automated system for regulatory compliance that represents a substantial savings to the user. Second, it provides this system on the fast developing Internet with smart-links to the major information centers for the industry (trade association and agency web sites, information services, etc.), to provide easy access to information. ENDC is an on-line consultant that will assist the user in determining their regulatory needs, providing the tools necessary to fulfill those needs and then completing and, where possible, electronically submitting compliance reports to the necessary regulatory agency. ENDC will be designed such that it will be compatible with the major production accounting and information management programs. ENDC will perform its regulatory function by sharing data with the user's production accounting database system, while maintaining a companion database of regulatory information. The ENDC system will enable users to assess the compliance requirements for their operations, and once these requirements are determined, it will provide the tools necessary to establish regulatory compliance. The components of the ENDC system include a database information management and regulatory compliance tool, coupled with a digital library that will provide the user with a full complement of regulatory information services. In essence, ENDC will be a "one-stop-shop" for assessing regulatory needs, researching the ways and means to fulfill those needs and ultimately completing and filing the required compliance reports.

The market for ENDC is vast. Of the 8,000 producers of oil and gas in the U.S.A., over 7,400 are considered medium to small independents who typically out-source the functions that ENDC provides. These 8,000 producers operate approximately 884,000 oil and gas wells, each of which has specific and definite regulatory reporting requirements. ENDC will generate revenues based on usage which is determined by the number of wells that the user operates. ENDC plans to capture 25% of the available market over the first five years of operation at an average annual penetration rate of 5%. The small to medium operators will be attracted to ENDC for the cost savings as well as the ease of operation. The larger independent producers, as well as the major oil companies, will use ENDC for its innovation in data management as well as the access to information, thereby providing a market niche in every sector of the industry.

ENDC will be marketed aggressively through industry trade association contacts and seminars as well as through carefully orchestrated company seminars offered in the energy centers across the U.S. Once the oil and gas energy market has been successfully penetrated, ENDC will begin making inroads into the coal, utility, refining-manufacturing, and other regulated entities.

ENDC has selected a unique technology on which to build this system. The supplier of computer and Internet technology is Tenfold, Corp., a publically traded software company headquartered in Draper, Utah, and with business offices across the U.S. Tenfold uses a universal data base approach to write mission critical applications on a fixed time and cost basis. The Tenfold team has an impressive record of success in designing applications for other energy companies. Beyond the need for very effective software technology, ENDC recognizes the need to build a user friendly and industry friendly system that will satisfy the needs of even the least computer/Internet savvy producer-user. The program needed to be designed to fit the industry, rather than requiring the industry to adapt to the software.

For over 20 years, J. Roger Kelley has managed the environmental and regulatory affairs for various oil and gas exploration and production companies. In his quest for a useful regulatory data management and reporting system, he discovered that many single issue programs were available on the market, but none of them offered the flexibility and utility that he required to manage the information in the environmental management systems that he administered for his clients. Each of the available systems required maintenance of a separate data base of information for input into the operating systems. It was his knowledge and understanding of this problem that led Mr. Kelley to the idea for ENDC as a regulatory, database compliance tool. He understands the needs of the industry and has designed the technology of ENDC to fit those very needs.

The Product

ENDC is a PC based, Internet accessible system designed to assist energy companies in managing their environmental, safety and regulatory compliance needs. The system will enable producers to assess the compliance requirements for their particular operations, and once these requirements are determined, it will provide the tools necessary to perform the appropriate regulatory compliance tasks. Specifically the system will assist producers in determining which regulations apply for their specific operation, guide them through the details of the applicable regulations, and finally provide them with information and tools necessary to comply. The information and tools will consist of explanations of the regulations, the actual text of the regulations with annotations explaining their significant requirements, information regarding forms, fees and penalties, agency specific contacts, and prompt driven compliance procedures. The system will ultimately perform the calculations required to complete the regulatory filings and then populate the agency reporting forms with these results.

For example, an operator desiring to determine the air compliance requirements for a production compressor station would initially log on to the system to find out his regulatory requirements. He would access the air initialization module and there enter the facility and equipment specific information, i.e. location, equipment type and specifications (size, horsepower rating, etc.). The system would then respond by providing the user with a list of the applicable regulations for compressor stations for that particular location and lead the user through a series of questions that will ultimately reveal the regulatory requirements for the facility. From here the operator could access more information and tools, including an interactive procedure for complying with these regulations. The full text of the regulations with annotations and explanations would also be available to them. Finally, the user will be asked to enter the necessary data, i.e. equipment specs, facility and site specific data, personnel data, etc. The system in response, would calculate the air emissions associated with this facility and complete the necessary forms and applications for compliance with state and/or federal regulations. These calculations and forms will then be made available in report format to the user for their review and approval. The same routine would follow for the other regulatory statutes that apply.

In summary, ENDC will be a combination of a full-featured, commerce-enabled, interactive website along with offline data-entry companion software. Once ENDC has been developed for the Oil and Gas Exploration and Production industry, the same data base system and even the same regulatory and calculation functions can be modified to serve other industries, i.e. coal, electric utilities, the chemical manufacturing industry, the refining industry, and many other businesses that are regulated and that require similar compliance activities, reports, etc.

Program Architecture

ENDC will be designed to provide regulatory compliance support through the previously described interactive process. The user will follow a decision tree analysis type procedure that will walk them through a specific compliance function. The key to ENDC'S utility to the industry is the maintenance and accessibility of a data base of facility, equipment, personnel, production and other company specific information at the user's home site. Functional modules will be accessed through the Internet based program, for which the user will pay a usage based fee. In order to make the best use of company production information, ENDC will establish or create links with products that provide oil and gas well accounting services, e.g. Excaliber (Prodigy) and Rough Neck, thereby making full use of the existing information in the company data base. These links will enable the sharing of existing company information, thereby reducing the data entry duty. The successful use of these links will be a significant part of the program's function. Data entry methodology will be discussed at the end of this section.

In addition to the generation of compliance data and reports, the regulatory compliance portion of the program will include contact information for the various state and federal agencies in the form of names, addresses and telephone numbers for these contacts. This function will also include access to the required reporting forms for spills, releases, upset conditions, accidents, etc. Any other compliance reporting forms required by the state and federal agencies will also be provided, i.e. mechanical integrity reports, discharge monitoring reports for NPDES compliance, sundry notices for BLM/MMS reports, production reports, SARA Title III inventory and release reporting forms, etc. These forms will be populated from either the company information data base or from calculations performed using this information.

Also in this portion of the program, ENDC will enable the user to access and use industry accepted and government approved calculation routines. One such routine is the Tanks (Chief) program developed by the EPA to calculate air emissions from chemical and hydrocarbon storage tanks. These calculations are accepted by the federal agencies and sanctioned (and in some cases even required) by various state agencies. Another similar calculation routine is the Glycalc program developed by the Gas Research Institute (GRI). This program calculates hydrocarbon and hazardous air pollutant air emissions from glycol dehydration units that are used to remove excess water from produced natural gas prior to its sale. Each of these programs are currently being distributed on a cost basis. Through negotiations currently underway, each program may be accessed through a multi-user license for incorporation into the ENDC system.

The regulatory compliance program will be designed extremely user friendly, such that even the smallest oil and gas companies (or any other user) will find it easy to work through to obtain their desired goals. In addition to the calculation routines, ENDC will provide "strawman" examples for other routine regulatory documents, e.g. Spill Prevention Control and Countermeasure Plans (SPCC), Oil Spill and Emergency Response Plans for environmentally sensitive areas, applications for permits to drill or explore on Federal leases, SARA Title III Compliance reports, etc. These documents will be designed to include the basic requirements for compliance with these type regulations, without the inclusion of any extra provisions that might

cause the user to incur any unnecessary liability. ENDC will retain the appropriate legal counsel to manage this risk for this part of the product.

Companion to the regulatory compliance portion of ENDC is a digital library that will provide "fingertip" access to regulatory law, agency regulations based on these laws, guidance documents from agencies and trade associations, as well as online access to other information services. The digital library portion of the program will provide access to information generated by ENDC as well as other commercially available products. ENDC will provide links to the web sites of the state and federal agencies. These links will be intelligent links designed to direct the user to the information pertinent to their particular question. Many of the agency web sites are complicated for the novice user and sometimes even for the veteran user. ENDC will have a team that will be dedicated to searching these sites and providing these links using an industry friendly search methodology. In addition, this team will remain current on all regulatory as well as policy developments within these agencies and maintain the program library to reflect those changes.

Other information sources that will be provided include many that are currently commercially available through other services. As the premier and only product that provides the "one-stop shopping" service, these providers will be willing to allow ENDC to maintain and sell these services on a royalty basis. This same arrangement is available for guidance documents provided by agencies and industry trade associations. For example, documents published by the American Petroleum Institute (API) such as recommended practices, standards, etc., may be sold by ENDC with a royalty provided to the API for each sale. Publications by the International Standards Organization (ISO) will also be provided. Currently, API and other international standards are being converted into ISO type standards and made available to the international regulatory community.

ENDC plans to be able to provide, wherever appropriate and economical, copies of international standards and regulations in foreign and English translations. Of course these products will be developed only to meet specific market needs. The regulations, standards, etc. will be provided to the users in an Adobe® type, read-only format.

Another function that will be possible with ENDC is electronic submission of all regulatory reports wherever such reporting is allowed. One of the long range plans for ENDC is to obtain DOE grant monies to assist the states in building these "e-commerce" type links.

Data Entry Technology

ENDC is forming a relationship with a company that supplies data transmission through Low Earth Orbit Satellites (LEO's). The name of this company is LeoOne. Data transmission to a LEO can occur from any spot in the world. ENDC proposes to use hand-held, write-ready computers that can be used by oil and gas company lease operators or gaugers to record and input production data. This data input will be transferred directly, after review by an immediate supervisor or other company designee, into ENDC's data base for that company. These hand

held computers will enable the lease operator to make changes in equipment and other facility information if necessary, as well as to provide comments pertinent to the operation of the individual wells and production facilities. Companies that use the ENDC computer will discover tremendous cost savings in the handling of this information. The daily gauge reports will be printed based upon the information that the lease operator inputs. These computers will have the capacity to calculate oil and gas production given the actual tank gauges, differential pressure readings, etc. Quality control checks can be employed at whatever level the user desires. The data input, hand-held computers will allow the user to receive production data from any spot on the globe. The same data that is entered using these computers will be routed into the data base that accesses the ENDC compliance routines, thereby completing the loop on company data management.

The Market

The initial target market for ENDC is the upstream energy market. According to IPAA statistics, there are approximately 8,000 oil and gas companies of varying sizes in the U.S. who represent potential users of ENDC. Of these 8,000 producers, over 7,400 are considered medium to small independents who typically out-source the functions which ENDC provides. The remainder of this number consists of large independent producers and major oil companies. Within this market, the potential user-operators range from the smaller independent operators that are not currently complying with all of the regulatory requirements out of fear, i.e fear of the unknown costs and potential consequences of compliance; to the very sophisticated operators that are in need of a tool to manage the enormous volume of regulatory data and reports that are required. These 8,000 producers operate approximately 884,000 oil and gas wells, for which each well there are specific regulatory reporting requirements.

The environmental, safety and regulatory needs of this market are twofold. First, there is a clear need for a reduction in regulatory compliance costs. Under the increasingly unstable oil and gas market, producers are constantly looking for ways to reduce overall production costs, of which regulatory compliance is a growing concern. ENDC presents a more efficient and cost effective way to manage these compliance issues. Based on our experience, a small to mid-sized independent producer spends a minimum of approximately \$60,000 to \$100,000.00 per year on outside environmental consultants to manage environmental affairs alone. In comparison, ENDC will allow this same company to manage these issues “in-house” for approximately \$20,00.00 (a 67% reduction in annual costs). A larger company would have even greater cost savings due to economies of scale.

In addition to the cost reductions, there exists a need in the industry to increase the level of environmental, safety and regulatory compliance among its member companies. Increased compliance enhances the industry’s position with the public, regulatory, and legislative sectors. The public relations issue is becoming most critical under the current market and political environments.

ENDC will streamline compliance efforts by providing a quick and easy way for producers to determine their regulatory obligations without having an intimate and in-depth understanding of these regulations and how they apply. ENDC provides an automated system that, combined with the company’s existing well accounting systems, will allow the user-operator to generate reports and filings, as well as perform the necessary engineering calculations. It will, by design as an educational tool, serve to increase the users awareness of the issues.

Briefly, benefits of the system include:

- ⊘ Increased environmental, health and safety awareness through technology
- ⊘ Increased co-operation with the agencies and compliance with the regulations, thereby reducing risk exposure

- ☒ Reduction in overall compliance cost (time & money)
- ☒ Improved public perception through pro-active environmental, safety, and regulatory efforts.

ENDC may also provide statistical information to the Department of Energy and other interested agencies, regarding the overall usage of the program. These statistics could be used to evaluate the utility of the various regulatory modules and measure the overall effectiveness of the program as a regulatory compliance tool. No individual company information will be provided to the agencies in these statistics. This information will not and can not be used as part of an enforcement effort on an individual company or the industry as a whole!

The Competition

Several PC based programs have been introduced into the market that will perform a single regulatory compliance function or even a group of functions. However, none of these programs use a common database for maintaining regulatory information; and none are currently offered on the Internet with the "one stop shop" feature offered by ENDC . Some of these products do maintain information pertinent to their target regulatory issues, but do not make that same data available for use by other systems. ENDC will be offered on the Internet and will have an interactive, time-based database function that will have the capability to retrieve all of the required input data from a general information database.

Our Position in the Market

ENDC enters the market as a sole source provider of Internet based regulatory consulting services. The Internet has evolved to a point where the general public is comfortable with finding information and making purchases over the web. By offering this service on the Internet, ENDC exploits the "e-commerce" business to business sales model which offers a product for sale to businesses on the Internet, while at the same time offering other value added enhancements as a lure to bring the user to the site. An Internet provider achieves success by providing a wide selection of services at good prices along with an effortless experience. This success will be realized by delivering about the same level of service through the Internet that users can currently get from a consultant (in person), but at a reduced cost and with other enhancements. ENDC can provide valuable services inexpensively and at a more comfortable level. Many of the smaller to medium size companies have a fear of the potential (unknown) costs and liabilities involved in getting an outside consultant involved in their regulatory affairs. ENDC provides a very controllable method, from the standpoint of both cost and liability, of researching and evaluating regulatory needs.

ENDC will serve as an industry magnet site by providing links to other products, services, government agencies, etc. Partnerships and alliances will be created with other non-competitive providers of information and services to establish the critical mass needed to become an industry magnet. ENDC will use a dedicated search engine, tied in with other search engines of other web sites through smart-links, to help the user to find the information and services that they are in need of. In order to provide users with value added information and assistance, ENDC will provide answers to frequently asked questions for each module or category. ENDC will use all of these information resources to attract clients and to generate new sources of revenue, such as advertising or sales of complementary products/services. The anticipated result of providing value added information on the ENDC web site will be to consolidate parts of the value chain. In this way, ENDC will create significant value for clients by reducing the number of entities they have to deal with in the value chain, thereby making the entire site more attractive to advertisers and user friendly to clients.

How ENDC Will Capture Market Share

ENDC plans to capture at least 25% of the market over a five year period (5% per year for five years). ENDC revenues will be based mainly on client usage, which is in turn driven by well count. ENDC will be provided to the operator or client/user via the Internet using a PC server based database system. The market for ENDC is very diverse. The major oil and gas companies will either desire a version of the program on site at the location of their corporate information services, or will they will require dedicated servers on the Internet to provide them with their desired level of security. The medium to small independent oil and gas companies, as well as the other service type users will use the program on-line. The client/user, depending upon his size, i.e. well-count, volumetric production, etc., may choose the product that best fits his needs from the following three product scenarios.

- 1) The client/user may elect to purchase an individual data base system customized for their company to insure the security of their data. These systems may involve local site based dedicated system or a dedicated ENDC based server. These dedicated systems will be sold for a minimum price of \$2,000,000.00 plus an annual maintenance fee equal to 10% of the base price. Customization of these systems would be billed on a cost plus basis. .
- 2) The client/user may pay an initial site license fee (\$2,500.00) plus a price per "hit"(\$50.00) for each time the user logs on to the site to perform a fee function. It is estimated that the majority of the clients will choose this scenario due to the perception of a lower monthly cost.
- 3) The last scenario would be that the client may hire ENDC to input data and manage their company's regulatory compliance program. Under this arrangement, ENDC would serve as an environmental consultant. This scenario would represent a somewhat different income stream for the company.

Other sources of revenues considered but not included in the financial analysis include income from advertising on the website along with the sales of documents and regulatory materials on the infobase. The list of oil and gas company service providers is vast and the exposure offered by ENDC will be sufficient to command a premium price for advertising on the site.

The main avenue of contact to the oil and gas industry will be through the oil and gas industry trade associations, both at the state and the national level. These contacts will be accomplished through presentations at the regularly scheduled trade association meetings as well as at jointly sponsored trade association seminars. The Petroleum Technology Transfer Council (PTTC) which operates under funding from the U.S. Department of Energy (DOE) and the functional support of the Independent Petroleum Association of America (IPAA), is aware of this product and is prepared to support it with jointly sponsored technical seminars across the country as it has heretofore conducted with

other petroleum technologies. The mission of the PTTC is to disseminate innovative technology to the petroleum industry for the purpose of the advancement of the energy industry in the United States. ENDC will, by design, encourage and enhance compliance with all of the regulations that apply to the exploration and production of oil and gas and will therefore entice the PTC to support the product.

Other state and national oil and gas trade associations will provide similar support through endorsement and promotion. The Texas Independent Producers and Royalty Owners Association (TIPRO) has expressed an interest in the product and has in the past sponsored seminars with Kelley Engineering as a means of providing information to their members and to help build membership. Other potential sponsoring organizations include the Gas Research Institute (GRI) and the Interstate Oil and Gas Compact Commission (IOGCC) . ENDC will use and endorse products that these entities have sponsored and developed, e.g. engineering calculation applications and information databases.

Government access to the system will be provided on a special use type license. No group licenses will be allowed, unless the group pays a license fee plus deposit, against which ENDC will charge each individual "hit" to the site.

Technology

ENDC will be operated using a common data base of information which will be accessed by each regulatory reporting module. Kelley Engineering has the models for all of these modules. Most critical to the success of ENDC is the data entry function. This function must be tailored to the industry so that the units of the data match those that are retrieved from the field operations where they are generated.

The software technology that will be used to develop ENDC is a universal application with "component ware" power functions developed by Tenfold Corporation. This application has been designed such that most of the application has been pre-built with the complex problems encountered in ENDC already solved. The Tenfold application allows the product developers to focused on describing data and desired functionality, rather than writing code. In this way, Tenfold is able to provide products on a fixed cost and time basis which is not typical of the software industry.

Key Players

The Staff

The secret to the success of ENDC will be its utility to the client/user. To insure this utility, ENDC will seek to hire professionals that are familiar with all phases of the operations of this industry. ENDC professionals should have a general understanding of and experience in some aspect of the oil and gas exploration, production, refining and marketing and the energy business as a whole, and preferably hands on experience with some phase of operations. They should, of course have expertise in their particular area of focus, i.e. marketing, regulatory, information systems, management, etc.

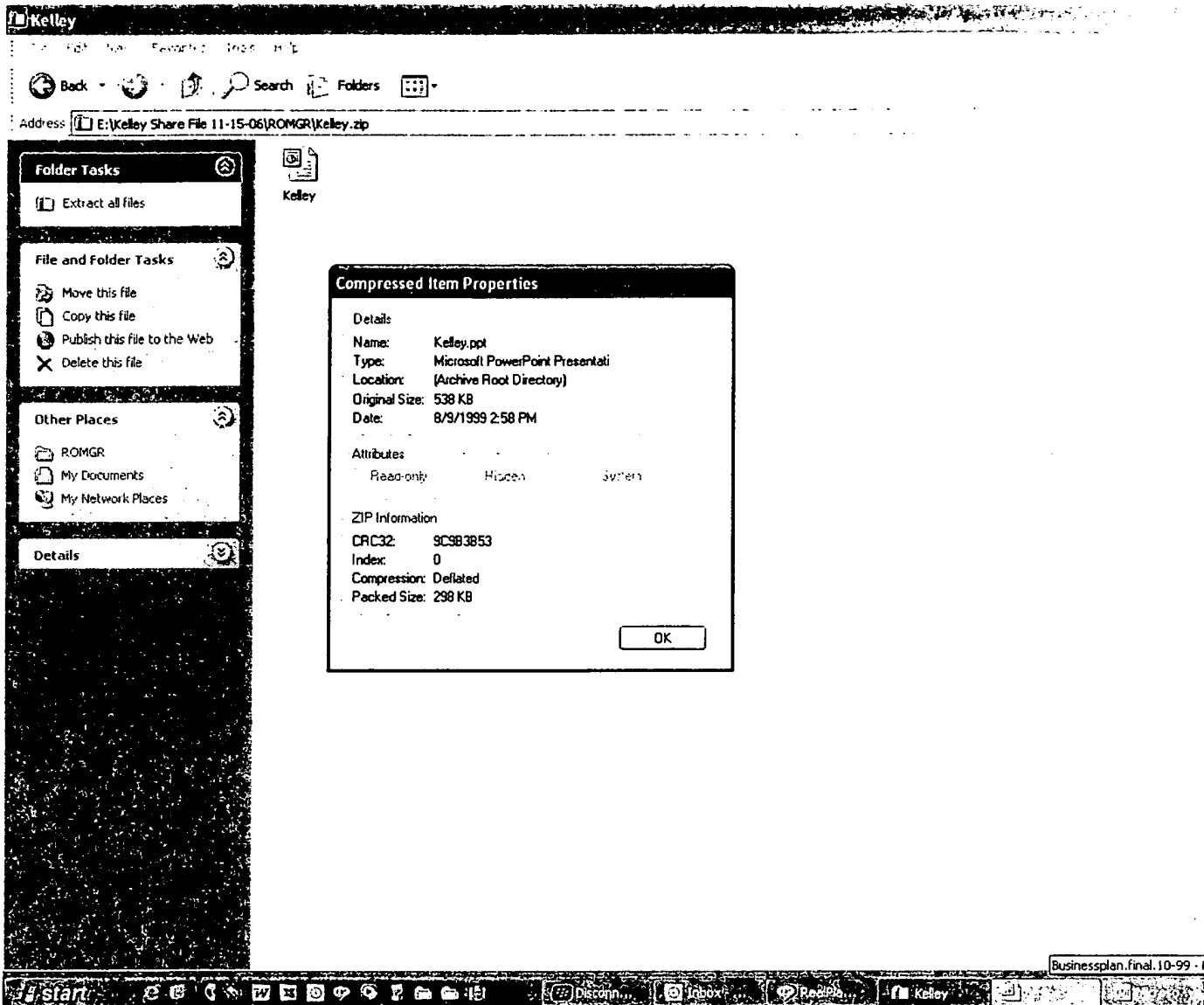
Currently, ENDC proposes the following staff assignments:

CEO - J. Roger Kelley
CFO / Executive V.P. - Merrill Littlewood
V.P. Marketing - Phil Rudd

The Board

J. Roger Kelley - KEI
W. Marvin Watson - Megahealth
Loren Carroll - Smith Industries, Inc.
Michael Cantrell - OBEC, Ada, Oklahoma
Jim Jones - Former President: American Stock Exchange / Former Ambassador to Mexico / Attorney

EXHIBIT 3





TENFOLD

Kelley Engineering

August 5, 1999

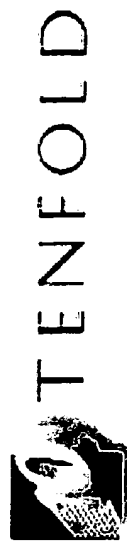
Confidential between Kelley Engineering and TenFold

Proprietary to TenFold – All Rights Reserved



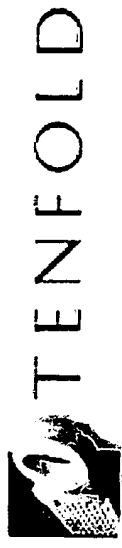
Introductions

- Ron Calzolari: Sales Director, TenFold Energy Group; 713-524-2075;
rcalzola@10fold.com



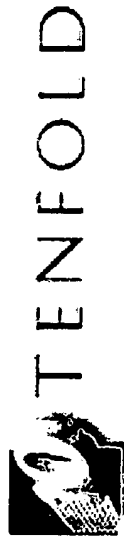
Today's Agenda

- TenFold Overview
- TenFold Advantage
- Why TenFold
- TenFold Technology and Architecture Overview
- Q & A / Proposed Next Steps



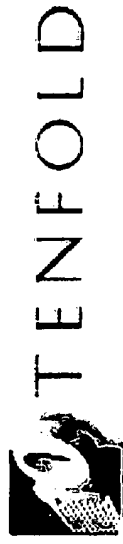
TenFold - What We Do

- TenFold builds and implements large-scale, survival-dependent software applications in months, not years. And we back this up with the unprecedented TenFold Guarantee: we deliver your application on time, on budget, and on target - or we give your money back.



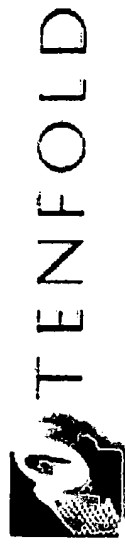
TenFold At a Glance

- Our mission
 - Become the world's premier supplier of survival-dependent vertical software applications
- Our strategy
 - Build and implement large-scale applications in very rapid time frames (months not years) backed with a money back guarantee
- Our advantage
 - Execute a precise process and methodology
 - Employ breakthrough technology and re-usable code

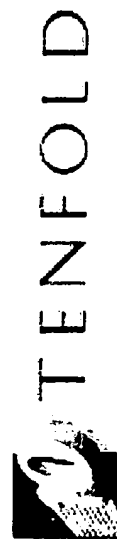
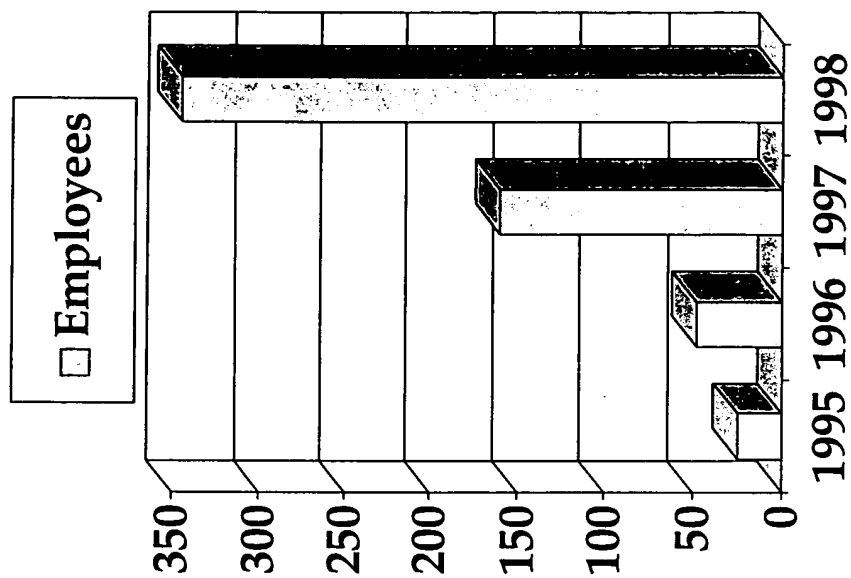
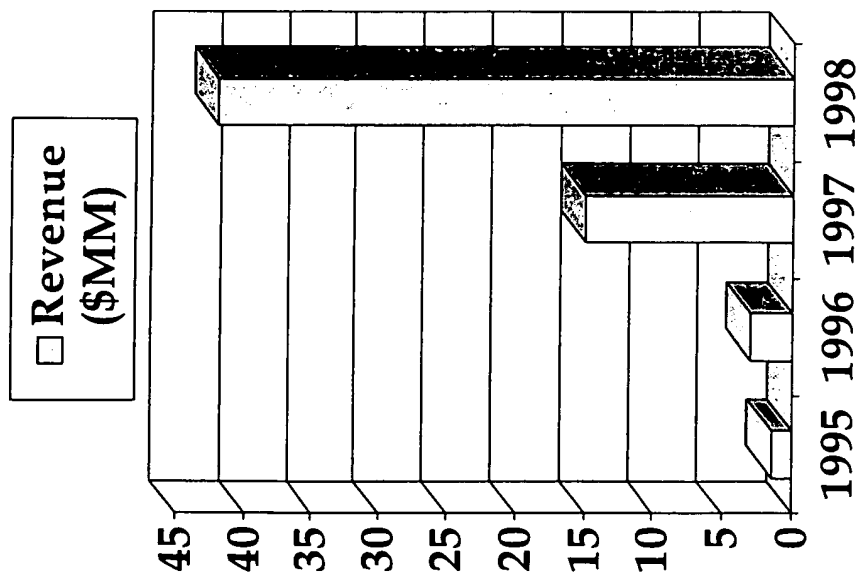


TenFold History

- Founded in 1993 by Jeffrey L. Walker
- Headquarters in Salt Lake City
- Offices in Atlanta, Boston, Chicago, Dallas, Houston, Baltimore, London, Los Angeles, New York, and San Francisco
- 350 employees and growing rapidly
- NASDAQ: TENF



TenFold is Growing Rapidly



Vertical Market Strategy

- Build portfolio of key strategic products in vertical markets
- Establish partnerships with market leaders
- Evolve Vertical Business Groups into autonomous software companies to resell our applications

Verticals-to-Date

Insurance
Investment Mgmt.
Utilities/Energy
Healthcare/Pharm
Retail Banking

Future Verticals

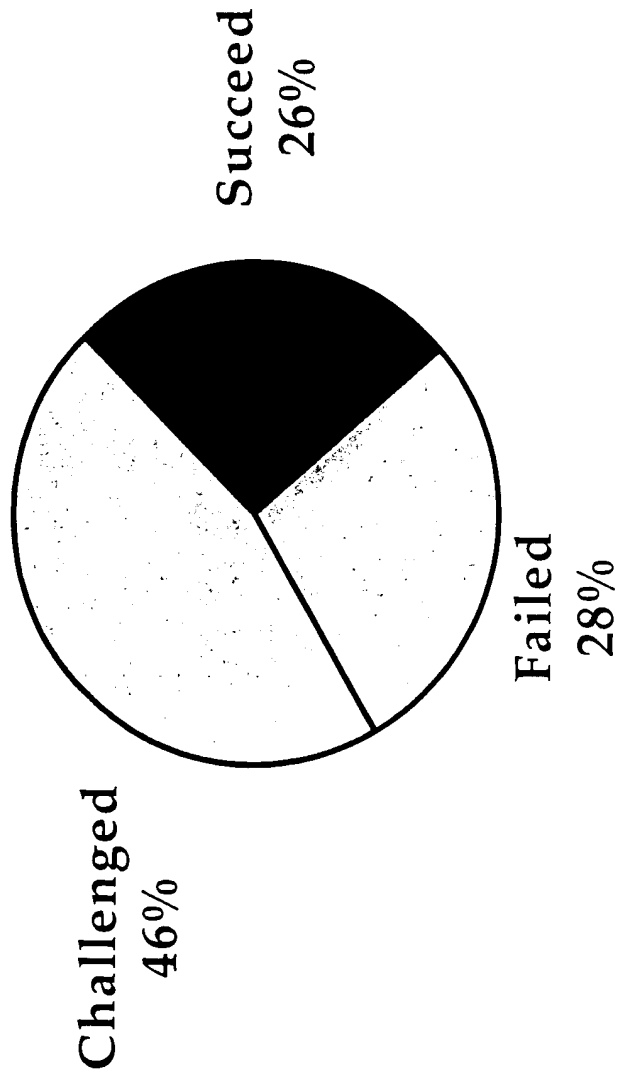
Telecom
Education
Others



TENFOLD

The Application Development Challenge

74% of applications projects fail or are over budget, over schedule, and have reduced scope.

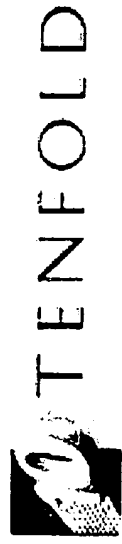


TENFOLD

Source: The Standish Group, Dennis MA
1998; Sample size - 7,552 applications

Building Applications is Risky

\$	People	Months	% Success
Less \$750K	6	6	55
\$750M to 1.5M	12	9	33
\$1.5M to \$3M	25	12	25
\$3M to \$6M	40	18	15
\$6M to 10M	250+	24+	8
\$10M+	500+	36+	0



Source: The Standish Group, 1998
Sample size - 7,552 applications

Buying Packages is Painful

- Force you to change your business
- Difficult to configure and install
- Dependent on consultants for years
- Static applications cannot solve dynamic business problems
- Problems with future upgrades if you customize

COMPUTERWORLD

"IS Reins in Runaway Projects"



**"War Stories Outnumber Successes
When it Comes to Implementing ERP"**



TENFOLD

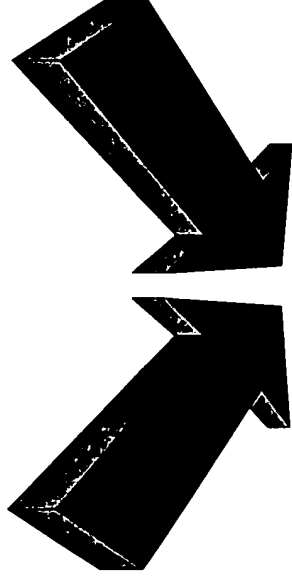
THE WALL STREET JOURNAL

"Program of Pain: ...

Complex, Expensive, and Wildly Popular"

Companies Want the Best of Build and Buy

BUILD



BUY

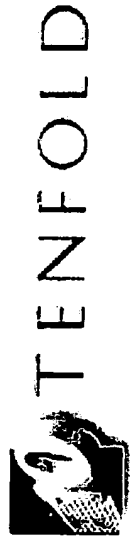
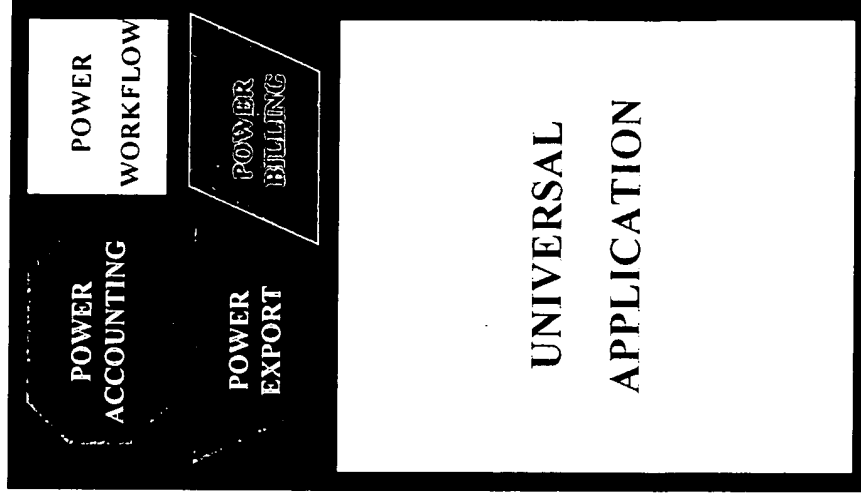
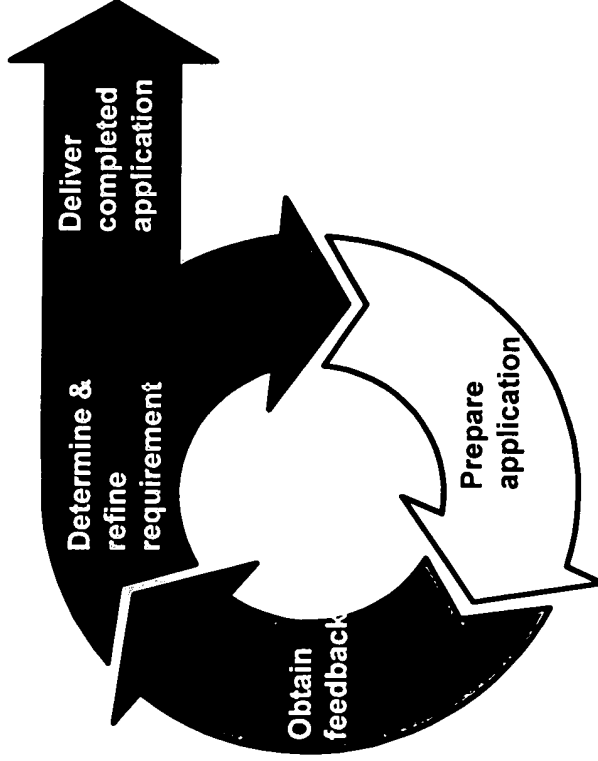
- Fast time to market *AND* the right features
- Market-proven quality *AND* flexibility



We Deliver the Best of Build and Buy

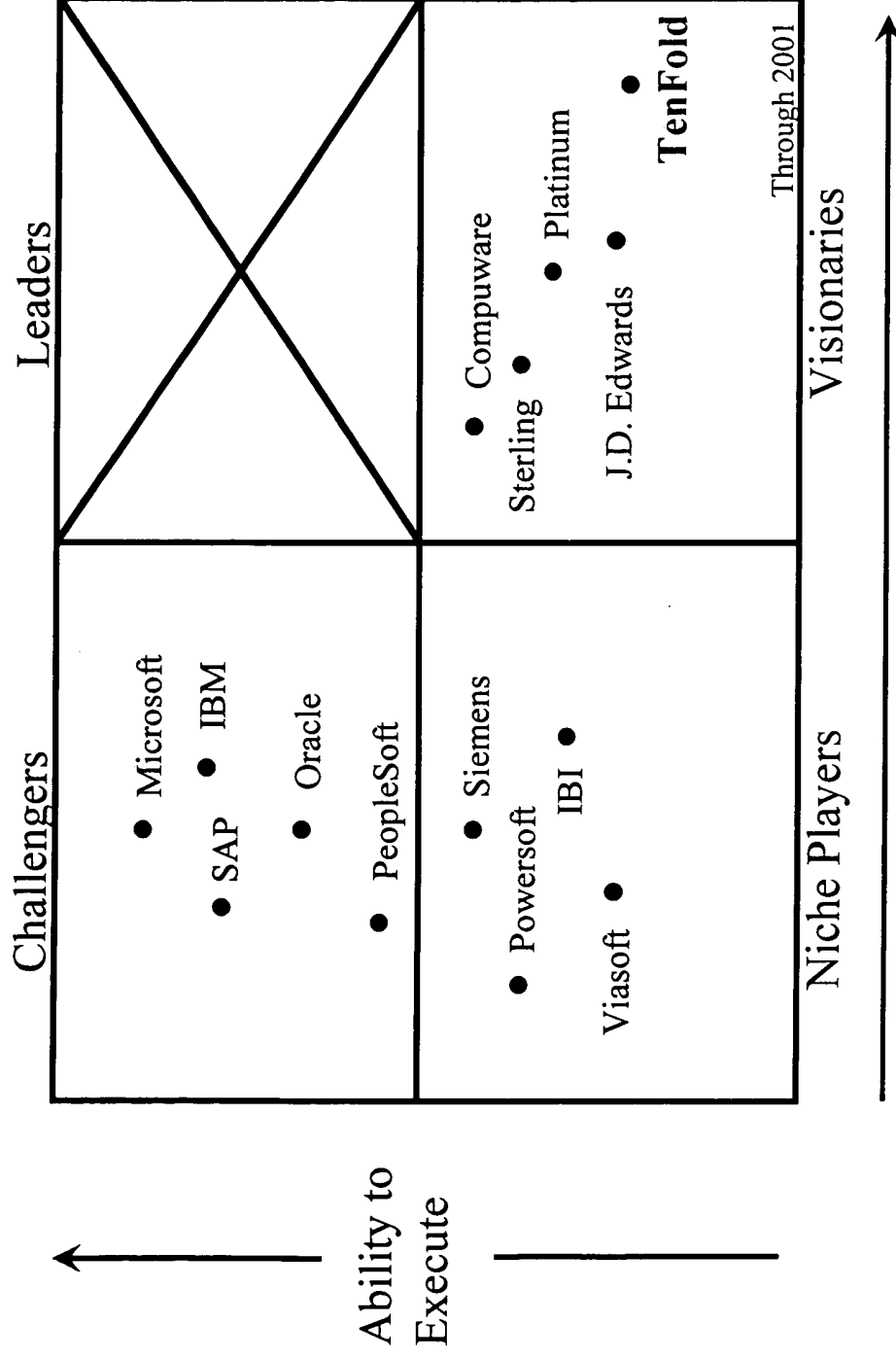
Customer Wants	Custom-built Application	Software Package	TenFold Application
Fast Time to Market		<input checked="" type="radio"/>	<input checked="" type="radio"/>
Market-proven Quality		<input checked="" type="radio"/>	<input checked="" type="radio"/>
Features for My Business	<input checked="" type="radio"/>		<input checked="" type="radio"/>
Highly Flexible	<input checked="" type="radio"/>		<input checked="" type="radio"/>

TenFold Advantage At a Glance



GartnerGroup Magic Quadrant

AD Tools, Package, and Service Vendors Through 2001



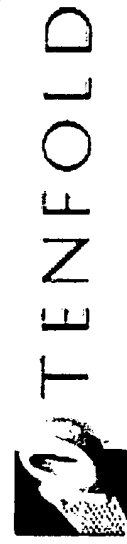
TENFOLD

Completeness of Vision

Source: GartnerGroup, 1998

TenFold Competitors

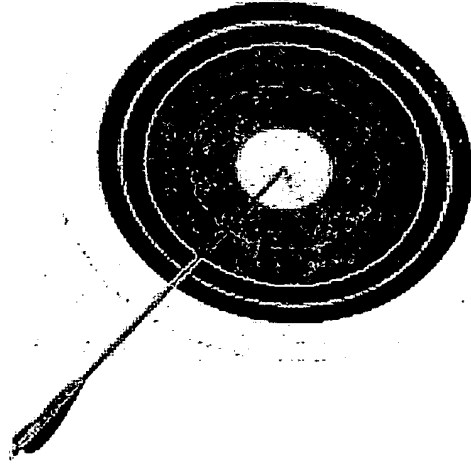
Key Differentiators	Disciplined Process	Industry Expertise	Company-Specific, Pre-built Functionality	Fixed-price Delivery	Fast Implementation
Consultants & Systems Integrators	●	◐			
Fixed-price Service Firms	●			●	◐
Vertical Package Vendors		●	◐	●	
ERP Package Vendors			◐	●	
EAI Vendors					●
Internal Development		●			
<i>TenFold</i>	◉	◉	◉	◉	◉




The TenFold Guarantee

Our confidence is such that...

We deliver your application *on time, on budget, and on target* -- or we return your money. Period.



 TENFOLD

Case Study - Enron Corporation

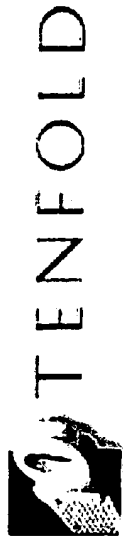
- Large energy marketer (\$24B in energy related assets)
- California PUC demanded new market entrants have meter data management agents that were certified by distribution companies
- CPUC “market rules of engagement” incomplete up to two weeks prior to market opening
- TenFold built and implemented in 3 months for \$1m
- Enron secured a \$500 million deal to supply electricity to California’s university



TENFOLD

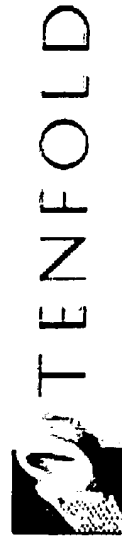
Customer Profile - Barclays Global Investors

- World's largest institutional investment management company
 - \$800BB in assets under management
- Existing billing system couldn't handle complex pricing and fee structures, Y2K, or the Euro
- Invoices were done manually in Excel, causing problems with accuracy and timeliness
- IS estimated 2.5 years to build the application
- We built and implemented in 5 months
- They can bill 40% faster, improving cash flow



TenFold Customer Experiences

<u>Customer</u>	<u>Application</u>	<u>Estimates</u>	<u>TenFold</u>
United Casualty	Property & Casualty policy management	4-6 years	6 months
Barclays Global Investors	Invoicing and revenue accounting application	2-3 years	5 months
Enron	Energy data management system	N/A	3 months
Ameritech	Network switch and product information application	N/A	4 months



Highly Leveraged Business Strategy

TenFold Marquee Customers

Insurance Investment Management

Healthcare

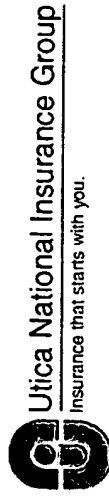
Utilities &

Energy

Telco

Banking &

Credit; Others



BARCLAYS GLOBAL INVESTORS



LOOMIS ▾ SAYLES

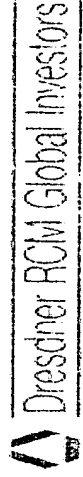
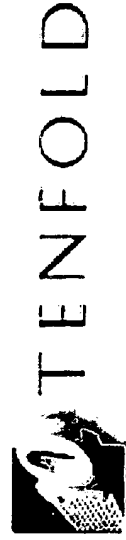
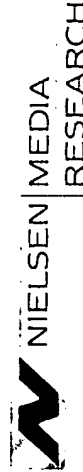
UNITRIN

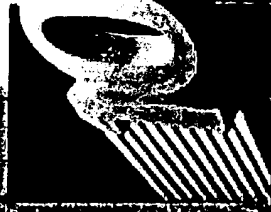


OPPENHEIMER CAPITAL



Franklin Templeton

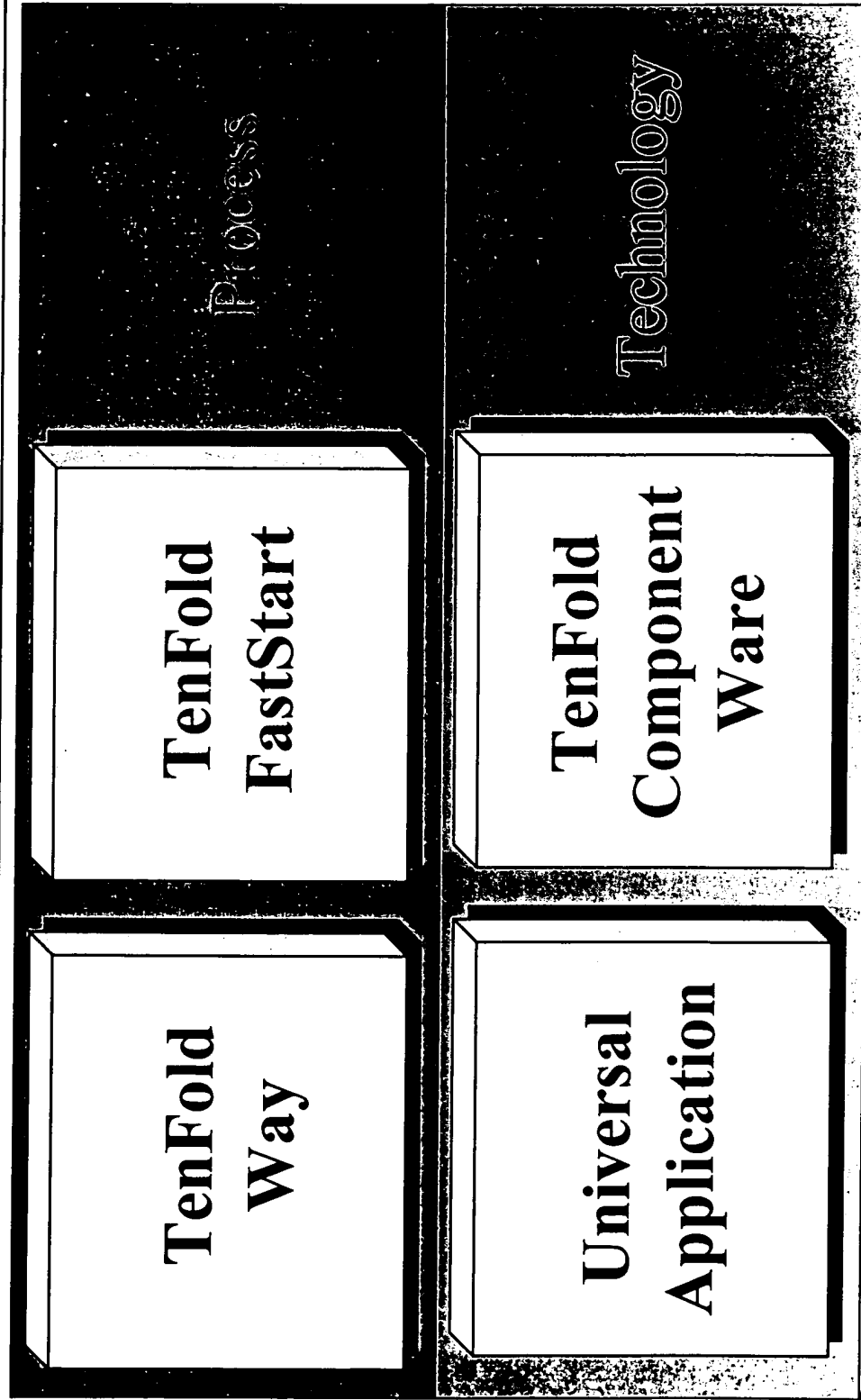





TENFOLD

Process & Technology Overview

TenFold Revolutionary Advantage



 **TENFOLD**

The TenFold Way Re-engineers Applications Development

- Rapid customer decision-making
- Defining requirements in a few weeks
- Documentation-centric development
- Letting people use (graze) application as you build it, then evolving it based on feedback
- Automating testing to ensure everything works
- Small, well-trained teams
- Clear, continuous communication



TenFold Way

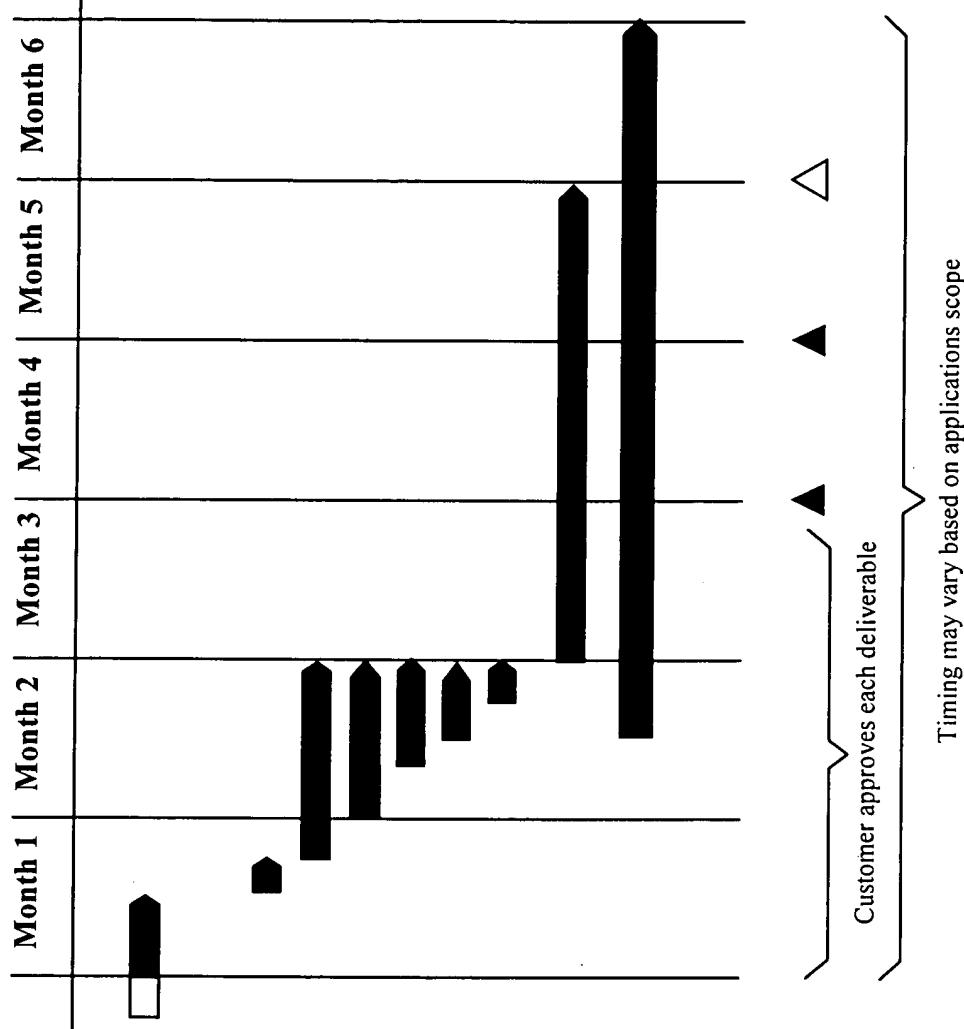
Develop Executive Overview

Determine Requirements

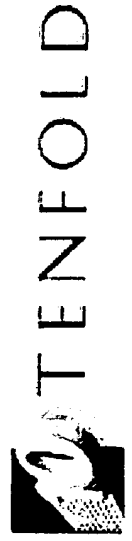
- Applications concepts training
- Applications concepts manual
- Acceptance test book
- Reports book
- Database design
- Demonstration script

Prepare Application

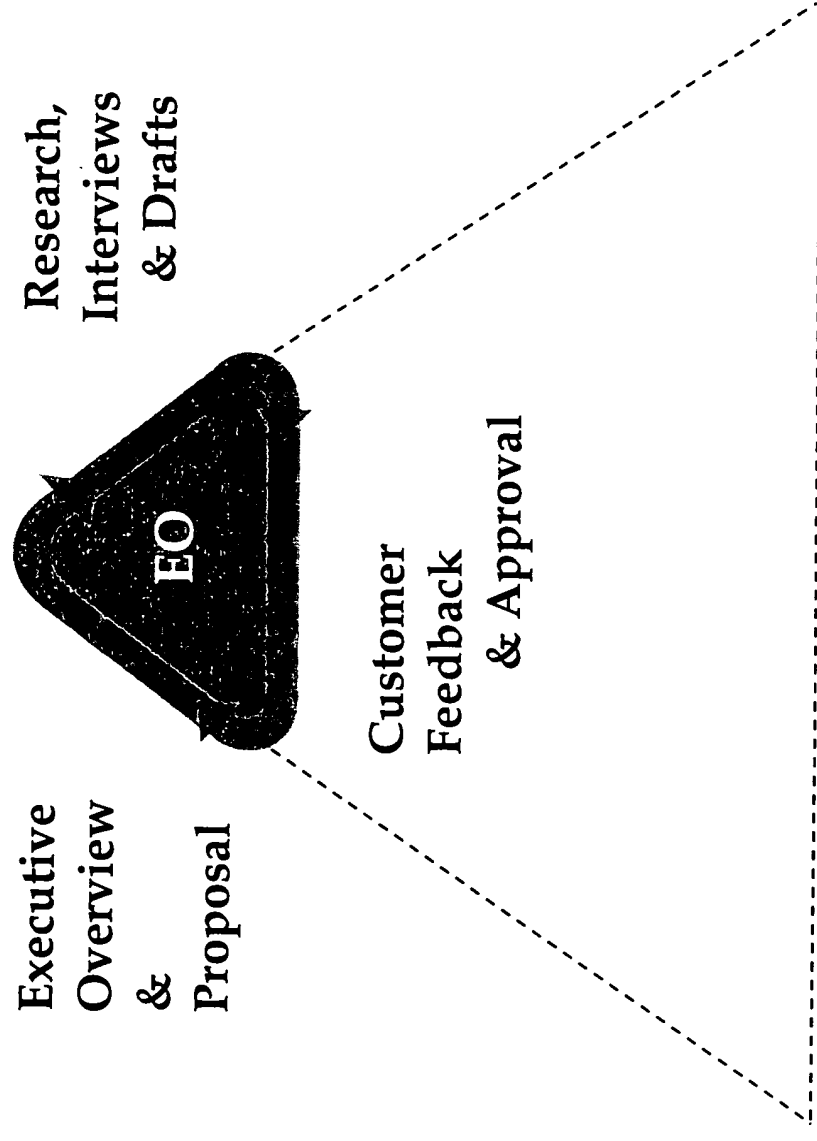
FastStart Implementation



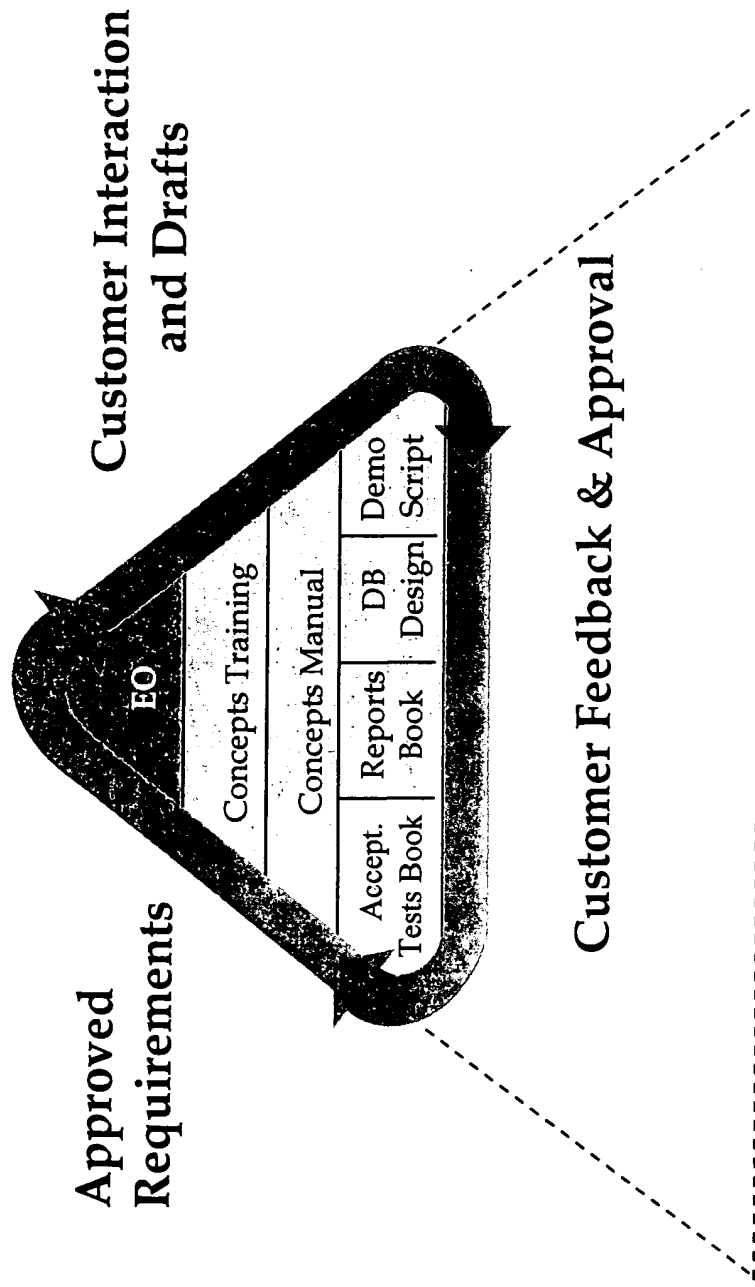
△ Final version
▲ Interim versions



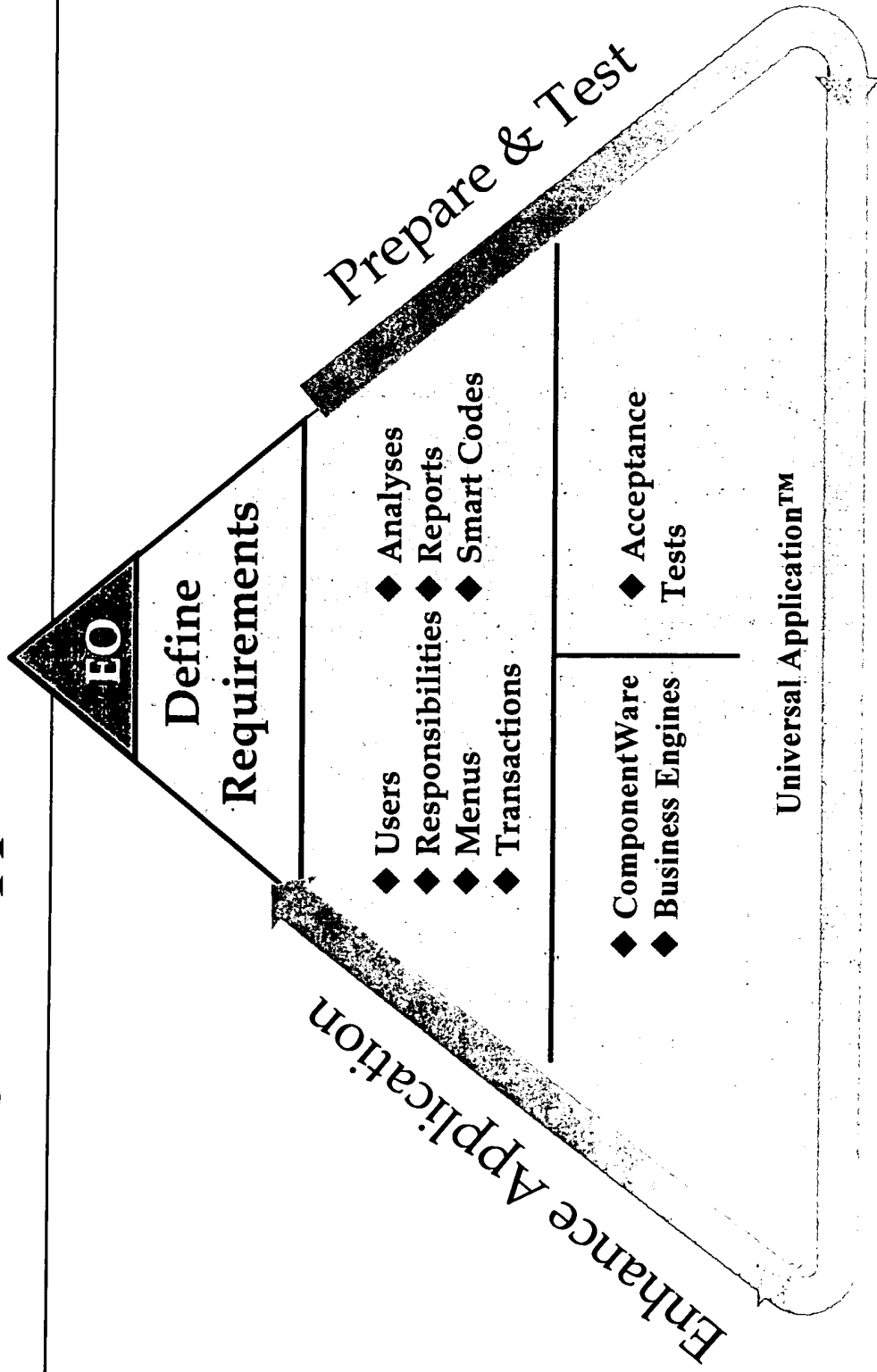
Defining Scope



Defining Requirements

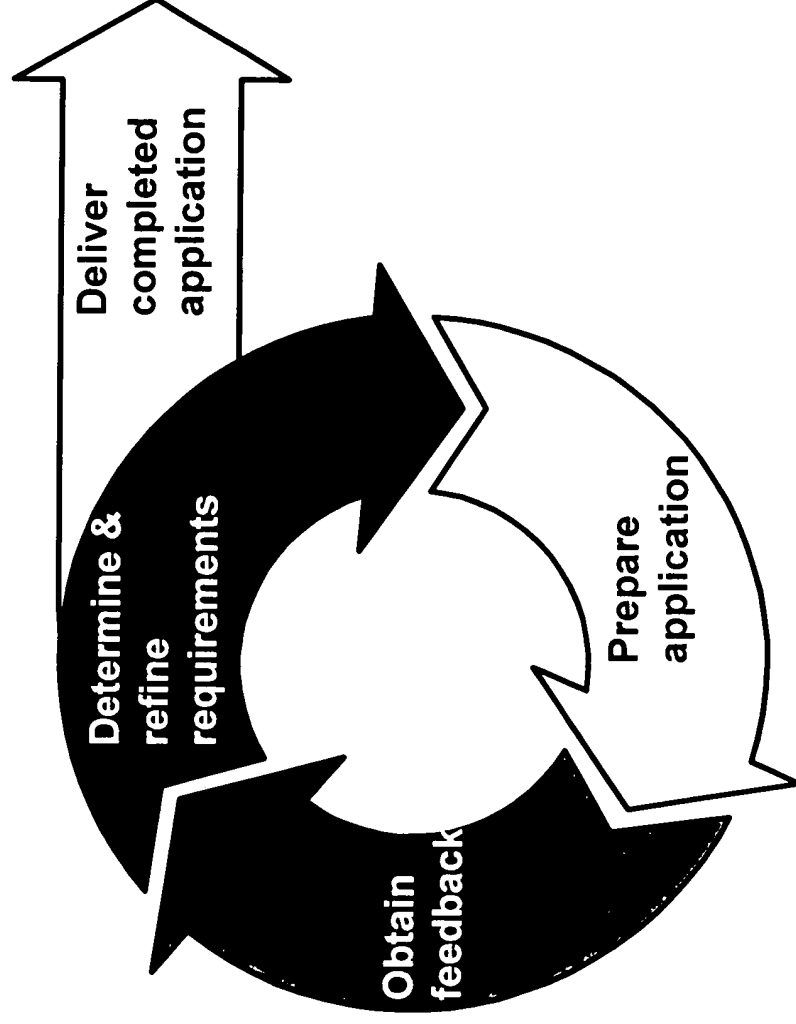


Preparing the Application



 TENFOLD Customer Grazing & Feedback

TenFold Way Evolves Your Application



TenFold FastStart

- Fixed-price deployment service
- Guarantees successful, timely implementation
- Includes data conversion, data clean-up, interface programs, parallel testing, end-user training, conversion assistance
- TenFold FastStart technology automates key aspects of deployment
- Occurs in parallel with application build

How do we do it?

- Create a process that leverages user behavior
 - TenFold Way
- Build enabling technology which delivers:
 - Complex business functionality pre-solved
 - Complex system operations problems pre-solved
 - Leverage of automation
 - Flexible, configurable, easily changeable applications

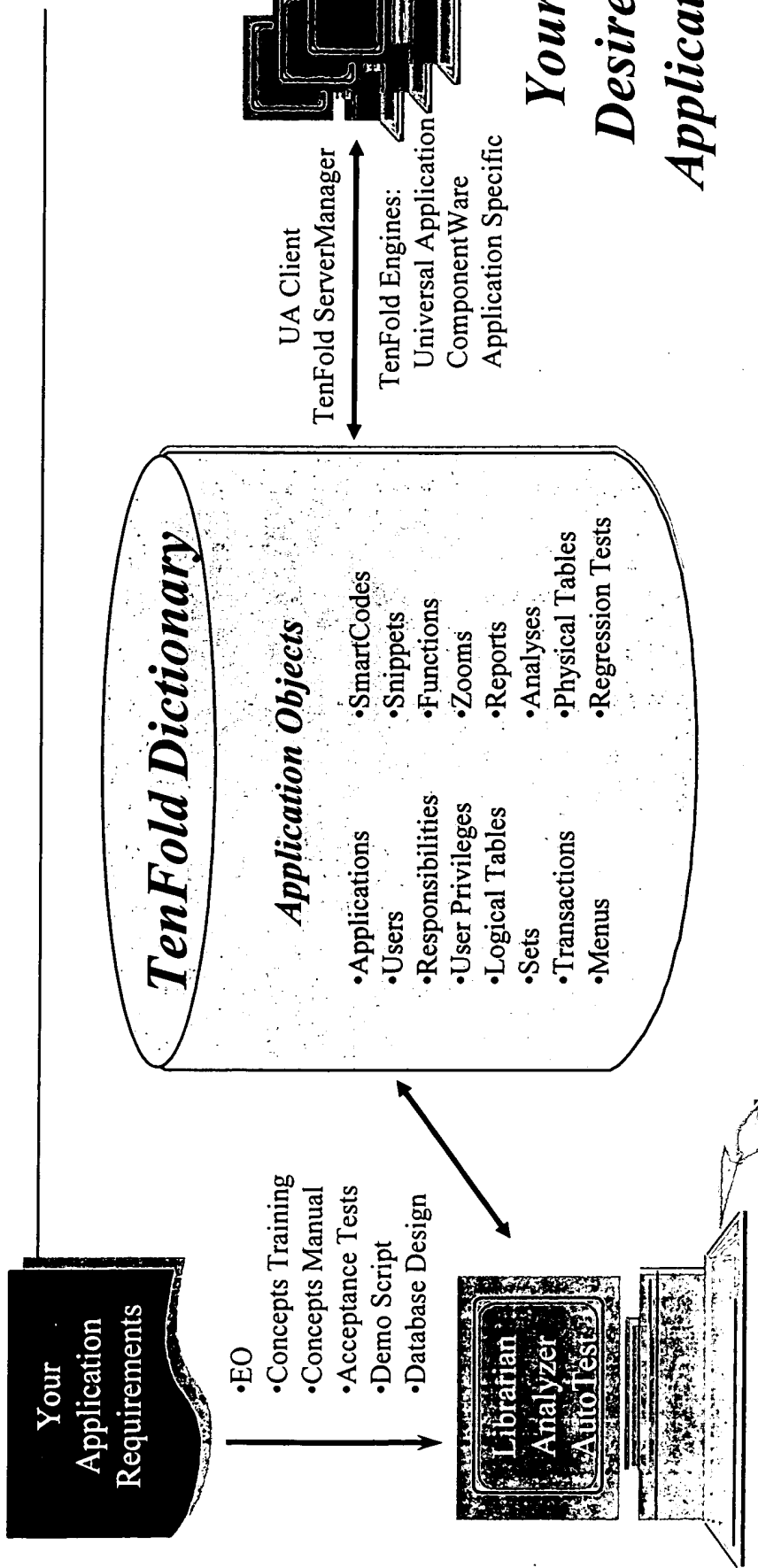
Survival-dependent applications share many common requirements

-
- | | |
|----------------------|---------------------------|
| • User Interface | • Web enabled |
| • SQL | • Batch processing |
| • Distribute-ability | • Asynchronous processing |
| • Tune-ability | • Alerts |
| • Test-ability | • Scoring |
| • Change-ability | • Workflow |
| • Maintainability | • Reporting |
| • Integrate-ability | • Data analysis (OLAP) |
| – CORBA | • et cetera.. |
| – DCOM | |
| – TIBCO | |
| – MQ (IBM, MS) | |



TENFOLD

Universal Application



TenFold Development Technologies



Universal Application™ Principles

- Most of application pre-built with complex problems already solved
- Applications developers focus on describing data and desired functionality, not writing code
- Universal Application presents your application from your applications description
- Instant application *without programming*

Universal Application™ *is Rich*

Pre-developed, reusable functionality

Facilities

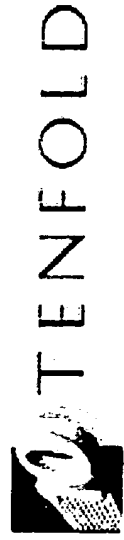
- Integrated OLAP
- Automatic screen design
- Report writer
- Integrated tuning
- Automated testing
- Much more

Capabilities

- QueryByExample
- SecurityByValue
- TimeRelational
- MultiEntity
- SmartFields
- Hierarchies
- CalculatedFields
- Much more



Universal
Application



We designed the Universal Application to...

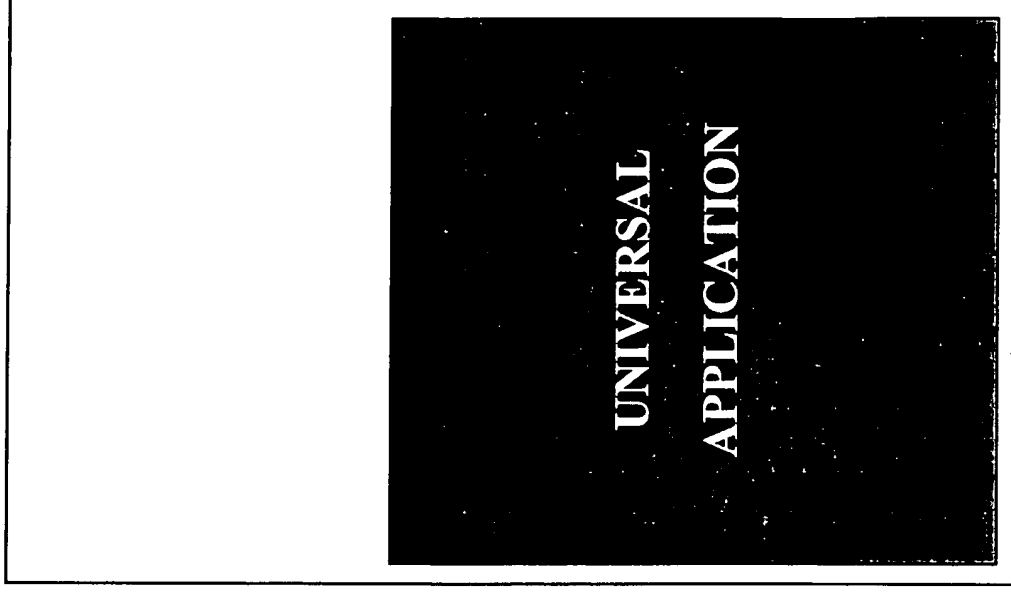
- Be configurable
 - Clients and servers operate on the same computer as a Universal Application client or on n-server-tiers, and to support distributed logic and distributed databases.
- Be efficient and scalable
 - Universal Application servers scale to thousands of transactions per second to support thousands of end-users.
- Be open to industry standards
 - Universal Application servers can obtain messages from third-party tools and standards such as CORBA, DCOM, et cetera

Universal Application™ Highlights

- Sub-second response time
- Scaleable with high volumes
- Web enabled
- Fat or thin client
- n-tier client/server or distributed computing
- Supports external data feeds
- Integrated, automated testing
- Automated software distribution
- Built-in version and change control

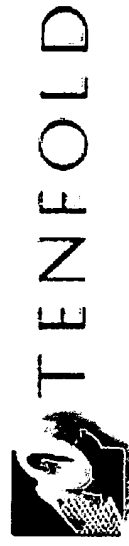
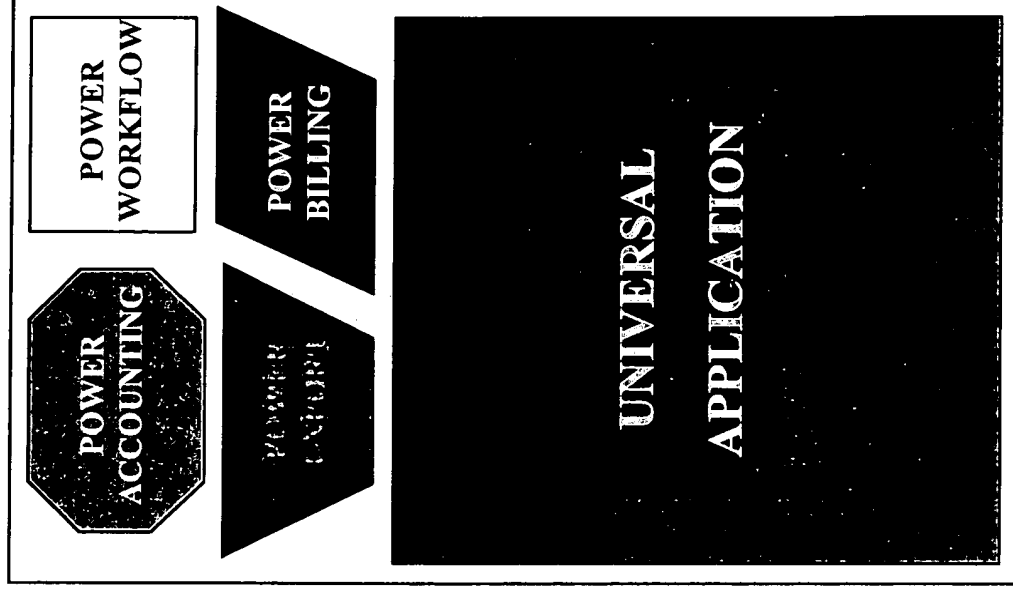
TenFold ComponentWare

- Universal Application addresses most applications requirements

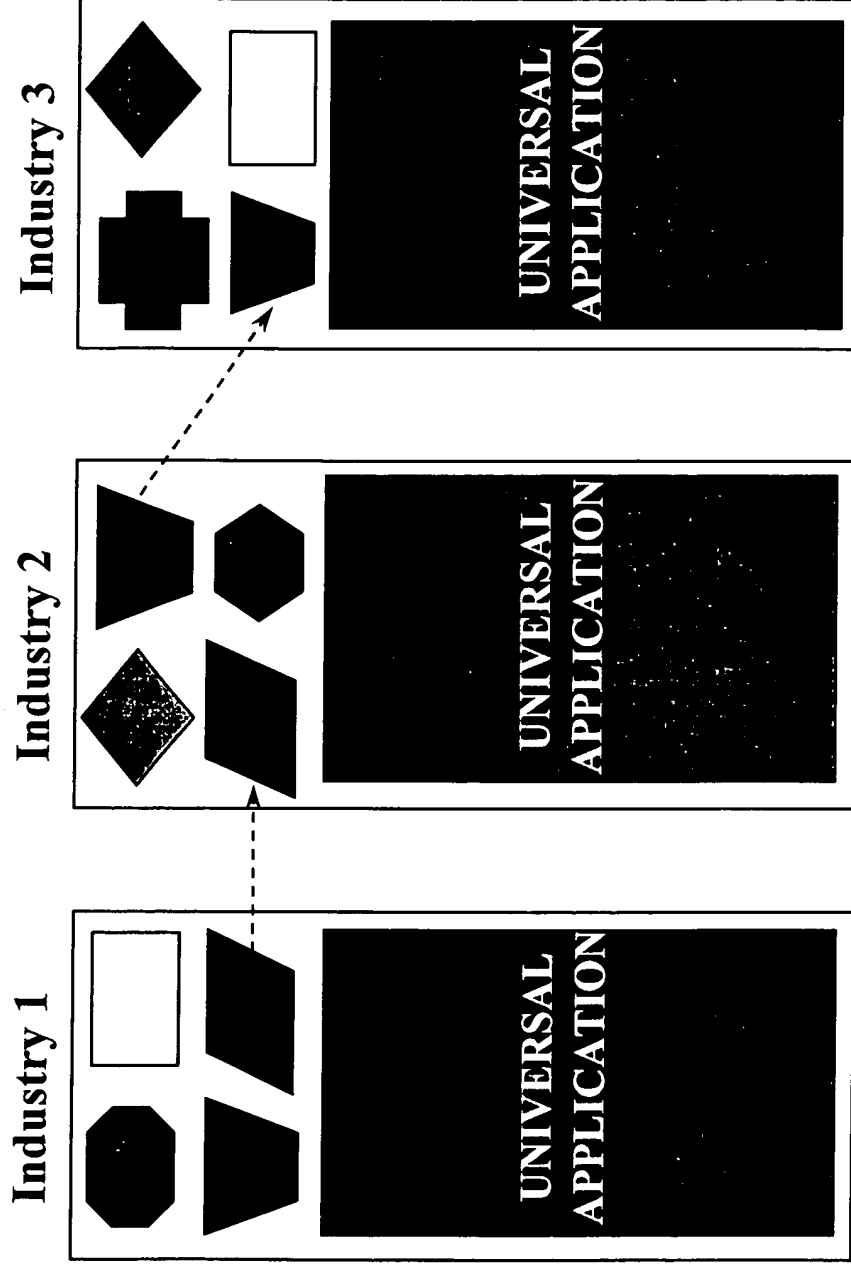


TenFold ComponentWare

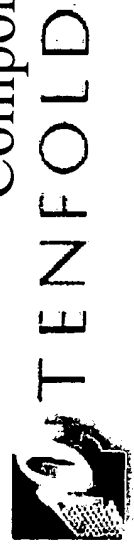
- TenFold ComponentWare provides business specific functionality
- Universal Application addresses most applications requirements



TenFold ComponentWare



Components reusable across industries



TenFold ComponentWare Examples

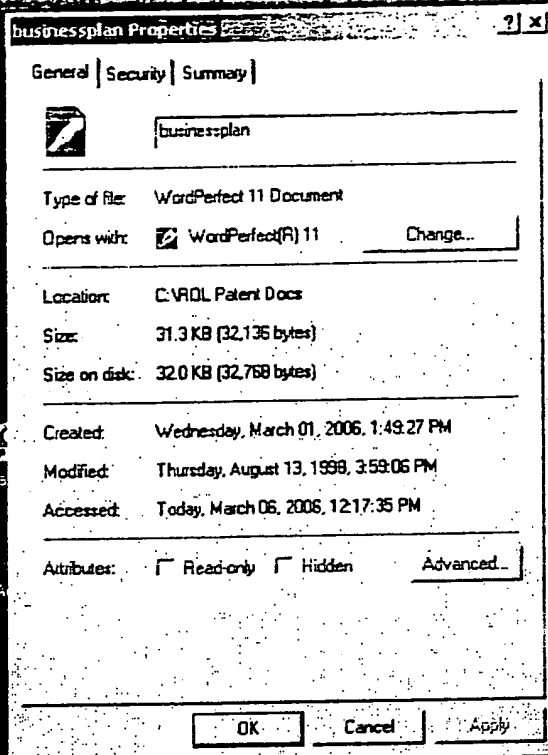
- PowerExport • PowerAccounting
- PowerImport • PowerBilling
- PowerAlert • PowerScoring
- PowerSummarize • PowerWorkflow
- PowerTime • PowerAmortization
- PowerEntities • PowerChargeBasis
- PowerCollections • PowerStatements



Next Steps

- Questions and Answers
- Follow-up or application specific meeting

EXHIBIT 4



BUSINESS PLAN

Energy_Net.com (ENDC)

1) Overview

Kelley Environmental Engineering, Inc. is a full service environmental management firm serving to the oil and gas exploration and production industry. With years of experience in this industry, **Kelley Engineering** provides comprehensive environmental and engineering services which include: transactional environmental due diligence, corporate compliance, general auditing and support services, and environmental assessment and remediation. As founder and manager of this firm, **J. Roger Kelley** has developed a functional understanding of the regulatory needs of the industry, including the corporate infrastructure required for an individual company to comply with this myriad of regulations.

Mr Kelley has as his personal goal to become involved with a successful business venture with a future sufficient to meet his current and future financial needs. He would also like to be in a position to generate and be involved in future ventures to this same end. As his business goal, Mr. Kelley plans to build a solid base company for the development and support of ENDC, to achieve the short term market goals and to take the company public to enable the long term market and development goals of ENDC to be reached. He has chosen **Tenfold Corporation** as a partner to enable him to reach his goals.

Tenfold Corporation is a fast growing software applications technology and service company that builds large scale, mission critical solutions in short time frames for a fixed price. Tenfold has developed a revolutionary "universal application" software system that can be adapted to any standard database, which enables them to accomplish their short term, fixed price goals. It is for this reason that Tenfold was chosen over other software companies for the development of this product. Other software companies provide a rate-based price structure that provides no incentive for the completion of the product. Consequently, the success rate of these rate-based companies is not very high. Tenfold has historically been able to use their universal application system to develop what they style as "mission critical" applications within their projected schedules.

Tenfold has had a 100% success rate of providing the desired product within the allotted time frame. In one particular instance, they developed for Enron Corp. (within a 12 week period) a program to manage an elaborate marketing system to meet the deregulation deadline for natural gas in the state of California. This product characterizes the ability of Tenfold to react to the market and develop "mission critical" products on a fixed time and cost contract.

The simple mechanism for accomplishing the business objectives as stated is as follows:

- a) Tenfold will develop the software product and provide support for enhancements and customization as well as ongoing technical support, e.g. training, on-line support, etc. Specifically Tenfold will:
 - 1) Provide the software structure for ENDC that will operate according to the requirements as defined in the criteria manual and as determined by Kelley.
 - 2) Provide the expertise to place this program on the Internet and design the web system that will operate the product.
 - 3) Provide the support for customization of company specific products.

For their contribution Tenfold will receive 1/3 of the company stock.

- b) The venture capital partner will provide \$1M in capital to support the marketing and development for J. Roger Kelley and the regulatory development staff. For this contribution, the venture partner will receive 1/3 of the company stock.
- c) J. Roger Kelley will provide the direction for the logistical development of the product, as well as the marketing effort. Mr. Kelley will direct the regulatory research for the infobase as well as the functional technical modules of the program. He will provide all of the engineering calculations and resources for the functional modules. He will also direct the research and provide the information for the digital library portion of the product. For his contribution, Mr. Kelley will receive 1/3 of the company stock.

2) Timing

Tenfold can deliver a product of the magnitude of ENDC in four to six months. The first phase of the project or the Executive Overview will be developed in the first 2-3 weeks. This Executive Overview is essentially the feasibility study for the product to determine how to proceed and how the overall product will be function. This phase will require the efforts of Tenfold personnel as well as Mr. Kelley who will provide information regarding the requirements and needs of the industry.

The next phase of the project is the development of the criteria manual which is

essentially the development manual for the product. This manual will take approximately 5-6 weeks to develop. The first working model of the program will be ready for the market at sometime between the fourth and sixth month. Tenfold provides in-house training for company personnel who use their products. Tenfold will also provide support for customization of ENDC for client specific applications.

3) **Marketing Plan**

The market for ENDC is very diverse. The major oil and gas companies will either desire a version of the program on site at the location if their corporate information services, or will desire to have dedicated servers on the Internet to provide them with their required level of security. The medium to small oil and gas companies, as well as the other service type users will use the program on-line.

The main avenue of contact to the oil and gas industry will be through the oil and gas industry trade associations, both at the state and the national level. These contacts will be accomplished through presentations at the regularly scheduled trade association meetings as well as at jointly sponsored trade association seminars. The Petroleum Technology Transfer Council (PTTC) which operates under funding from the U.S. Department of Energy (DOE) and the functional support of the Independent Petroleum Association of America (IPAA), is aware of this product and is prepared to support it with jointly sponsored technical seminars across the country as it has heretofore conducted with other petroleum technology. The mission of the PTTC is to disseminate innovative technology to the petroleum industry for the purpose of the advancement of the energy industry in the United States. ENDC will, by design, encourage and enhance compliance with all of the regulations that apply to the exploration and production of oil and gas and will therefore entice the PTC to support the product.

Other state and national oil and gas trade associations will provide similar support through endorsement and promotion. The Texas Independent Producers and Royalty Owners Association (TIPRO) has expressed an interest in the product and has in the past sponsored seminars with Kelley Engineering as a means of providing information to their members and to help build membership. Other potential sponsoring organizations include the Gas Research Institute (GRI) and the Interstate Oil and Gas Compact Commission (IOGCC) through our use and endorsement of products that these entities have sponsored and developed, e.g. engineering calculation applications and information databases.

4) **Architecture**

ENDC is designed to perform the regulatory functions for an oil and gas exploration and production company as a time based, automated "on-line" consultant. In essence, ENDC will perform for the user, many of the functions of a staff or contract regulatory specialist as follows:

- Functional Components
 - a) Perform engineering and other calculations that provide information in reports to regulatory agencies
 - b) Retrieve data from other databases to be used in calculations and to be used in regulatory reports.
 - c) Interact with existing company accounting and well databases to allow use of existing data
- Regulatory Database
 - a) Provides a structure within which to input data not normally used in the revenue accounting system and any other operations type well database
 - b) Interacts with existing database to combine info into common database that can be accessed by functional components
- Infobase
 - a) Provides a digital library for reference by users while determining compliance
 - b) Contains annotated regulations either developed by ENDC or purchased from another service.
 - c) Provide users of functional modules with a decision tree analysis for determining compliance requirements

5) **Five Year Financials (all figures are monthly costs)**

The five-year financial forecast is included at the end of this document and has been developed using the following assumptions and criteria:

- Personnel Functions
 - a) Manager \$15,000.00
 - Directs marketing and functional development of the product and the

administration of the company.

- b) Environmental Engineer \$5,000.00

Provides expertise and direction for the engineering calculations as well as the regulatory reporting functions in the product.

- c) Environmental Specialist \$5,000.00

Provides direction and research into the regulatory requirements, laws, etc. and provides input into the reporting requirement function.

- d) Marketing Specialist \$8,400.00

Researches market and makes contacts for marketing of the product. Helps Manager with trade association contacts. Must have expertise in oil and gas service type software.

- e) Technical support \$4,000.00

Provide on-line support of product for Internet and PC based products.

- f) Administrative staff \$3,000.00

Provide bookkeeping, clerical and general administrative services for Houston office.

- Capital Requirements \$100,000.00

- a) Initial equipment purchases for the Houston office to support the Houston staff, i.e. computers and other FF&E for the office.

- b) Legal costs for patent and company setup

- Technology License and Transfer Fee \$200,000.00

- a) Fee to Roger Kelley for patent license and product use

- Overhead G&A \$5,100.00

- a) Fixed and variable costs to operate Houston office
- Web Server Space \$10,000.00
 - a) Lease on web space to support the product
- Advertising and Marketing \$10,000.00
 - a) Costs required for trade shows, adds in periodicals, trade show function sponsoring, etc.
 - b) In the first month of each year, an extra \$10,000.00 was added in to account for annual advertising fees.
- Travel and entertainment \$5,000.00
 - a) Funds to support travel to meetings and events to support marketing efforts.

6) People

Both Tenfold and Kelley Engineering are committed to finding people with practical experience in the industry who can develop practical applications that will be used by the industry. We make the product fit the industry rather than expecting the industry to fit the product.

7) Patent

J. Roger Kelley individually holds the patent on ENDC and will license this patent to ENDC, Inc.. All future patents that are developed by Mr. Kelley will be similarly be licensed to ENDC, Inc. as a company.

8) Exit Strategy

The following plan is designed to provide the investors and partners with projected, measurable milestones and the associated cost to reach each milestone. Each milestone has a target date and a cash flow requirement. If the target date slips for any of these milestones, the cash flow will accumulate proportionately. The business plan is designed such that if any of the target dates slip significantly, the investors or partners will have the opportunity to seek co-investors or bail out without further commitment. If growth expectations are met, the venture will be prime for a public offering in the third year of operation. Further exit strategies may be investigated at this point. The milestones along

with their target dates and associated cash flow requirements are presented in the following table.

Milestone	Target Date	Cumulative Cash Flow
1. Develop Executive Overview (Tenfold)	1 st Month	(\$232,200.00)
2. Develop Criteria Document	2 nd Month	(\$264,400.00)
3. Prototype on Web	7 th Month	(\$655,000.00)
4. First Revenue Received	8 th Month	(\$718,813.00)
5. Break Even Point	20 TH Month	\$191,343.00
6. Public Offering	36 th Month	\$9,327,597.00

Explanation of Table:

- 1) Tenfold will spend 3-4 weeks developing the Executive Overview which will determine the scope and requirements of the product. This exercise will require close cooperation of Mr. Kelley and his associates to provide the critical information for the development of this document. Once this document is finished, Kelley will prepare marketing materials to take to the Trade Associations and other client contacts and begin the marketing effort.
- 2) With the Executive Overview in hand, Tenfold will prepare the Criteria Manual which will be the "blue print" for the program.
- 3) Once the Criteria Manual is complete, Tenfold will require four to six months to write the program. Kelley will stay in close contact for consulting on the project and the gathering of information for the infobase as well as the functional modules. A prototype of the product will be on the web during the 7th month and available to exhibit at shows and at marketing calls.
- 4) Sales are expected during the 8th month as the Texas regulatory data is available on the web. Milestones for other state data are include in the financials.
- 5) The break even point will occur during the 20th month if market goals are met.
- 6) An initial public offering should be feasible in the 36th month if market goals continue to be met.

EXHIBIT 5

III

Kelley Environmental Engineering, Inc.
Oil and Gas Environmental Specialists
1923 Rotary Drive, Suite 200
Houston, Texas 77347-9867
281/446-4427

FACSIMILE TRANSFER

DATE: Thursday, December 09, 1999

TO: Mr. Patrick Webb

COMPANY: Energy On-Line Services

FAX NO. 713-651-0468

TELEPHONE NO. 713-651-0466

NO. OF PAGES 9 **INCLUDING COVER**

FROM: J. Roger Kelley

Kelley Environmental Engineering, Inc.

Fax: 281/446-7573

COMMENTS: Please call if any of these pages do not come through and we will resend them.

ENDC PROCESS FLOW OVERVIEW

ENDC is a full featured, commerce enabled, interactive ~~e-commerce~~ ^{web site} system with offsite data entry companion software. The ENDC process involves the use of a common database of information that interacts with a modular program to accomplish the various required regulatory ^{reporting} functions. This ~~data base~~ ^{Program Data Base (PDB)} will be maintained at the client / user level and will be designed to integrate the existing well, personnel, production etc. ~~data that might already exist~~ ^{data} at the user's location. The information that a user will typically need to comply with the regulations includes, but is not limited to:

- Personnel Data - Job function, location, level of responsibility, exposure data, reporting level of accountability, Personnel ID number, time function
- Facility Data - Legal location (lat, long, UTM, city, county, state, country, facility type, facility ID#, time function
- Equipment - Type, construction specs, functional and operational specs, equipment ID#, time function
- Production Data - Oil, gas and water production, flow pressures, injection pressures and volumes, etc.

The program data base and basic operating system will be downloaded onto the client's local PC (after a license fee has been paid). The user will have been assigned a user ID along with a password to allow access to the system. He will be billed according to usage, i.e. per hit or per product generated. The data base and operating system will be used to access any one of the many functional modules to perform mission specific functions.

The functional modules will have calculation, analytical and report generating capabilities. Any one module will enable the user to perform a particular regulatory function using either a direct data entry format or through a prompt driven question and answer session. The direct data entry format will be used by the more experienced user who has a working knowledge of the regulation and system in which they are operating. Using this format, the user may even choose to populate the data base prior to accessing the functional module through a link to another or other data bases or manual data entry. This methodology will be discussed further in this report.

For the less experienced user with limited knowledge of the regulatory requirements, the program module will prompt the user to make selections that will lead them through a tutorial

During which they will be directed to choose the appropriate
type exercise, including the proper choice of the program module. As the user answers these prompts, ~~the data is entered into the common data base~~, thereby allowing the functional module to access this data and perform the necessary calculation and reporting functions. The user may choose to enter situation specific data or select system defaults as they are made available.

either will be POB include
Once the data has been identified and the program module accessed, the system will automatically perform the necessary calculations, populate the appropriate forms and reports and *advise* → ~~notify~~ the user of their compliance status as it relates to thresholds, operating criteria, etc. either triggered or otherwise identified in the report. These criteria may be air emissions criteria, water discharge constituent concentrations, injection pressures/volumes, production allowables, etc. The user may choose to use their own threshold criteria as it is appropriate. The system will generate a compliance status report for the operator indicating which, if any of these criteria has exceeded the accepted regulatory requirement. The user will then have the opportunity to review the results and reports generated by the system and decide whether the report is acceptable for submission.

Each of the regulatory modules will employ a time function which will enable the system to maintain a history of accumulations, events, etc. for reporting.

Flowchart Explanation

A general description of the flowchart is as follows.

Experienced User

This user will log onto the system web site using a pre-assigned password. They will immediately begin searching for the module that they desire to use to accomplish the task at hand. Once the module has been accessed, this user will chose the appropriate facility, property, or other type ID # that identifies the subject with which they are working. The user will then *activate* ~~operate~~ the module by making the appropriate choices of activity, report, etc. that they desire to accomplish during this session. The input data may reside in the on-site program data base (PDB) populated manually by the user at a prior time or populated by the user during this session. The on-site program data base may also be integrated with other data bases at the company site or within the company system that provide other quantitative ~~data and~~ qualitative data required to perform the calculations and complete the reports. *maybe*

The Program Data Base (PDB) is a data base that is designed to interact with all of the on-line program modules. Companies have data in other system data bases that is necessary for these *functions of* modules. ENDC will enable these users to link these data bases to the PDB in a form that can be used by the on-line system modules. The system modules will also use data from system data bases that are maintained by ENDC and that contain default data for use in calculations as well as for regulatory analysis. The default data will include but not be limited to equipment emission factors, equipment construction and design data, control equipment efficiencies, climatological data, physical chemical data (MSDS type) public and employee, meteorological data, exposure levels, regulatory thresholds, regulatory contact data, etc. Also at the system level will be a digital library that will be linked to the system modules to provide regulatory and statutory references where necessary. The default data as well as the digital library will be maintained by ENDC on an on-going basis. Current references and forms will be provided as well as regulatory developments, ENDC will provide smart links to agency web sites that will take the user directly into the location that applies to their question or issue. *data* *change in*

Less Experienced User

The less experienced user is one who might not have a working knowledge of the regulatory issues or requirements. They probably have somewhat of an understanding of what they need to do from industry trade association information or some other network source, but do not know how to proceed.. The system will direct them by providing a prompt driven tutorial that will enable them to decide ~~what~~ *which* module is needed for their particular operation. Within this tutorial, they may review summaries of the various regulatory statutes that pertain to facility or property given their specific location and type of operation, etc. Once the system module (s) has been *appropriate* *a given certain*

identified, the user may proceed through a user-friendly, prompt driven question and answer session that will direct the user to either provide the data necessary to comply with the subject regulation or choose the default data provided by the system.

Module Functions / Calculations

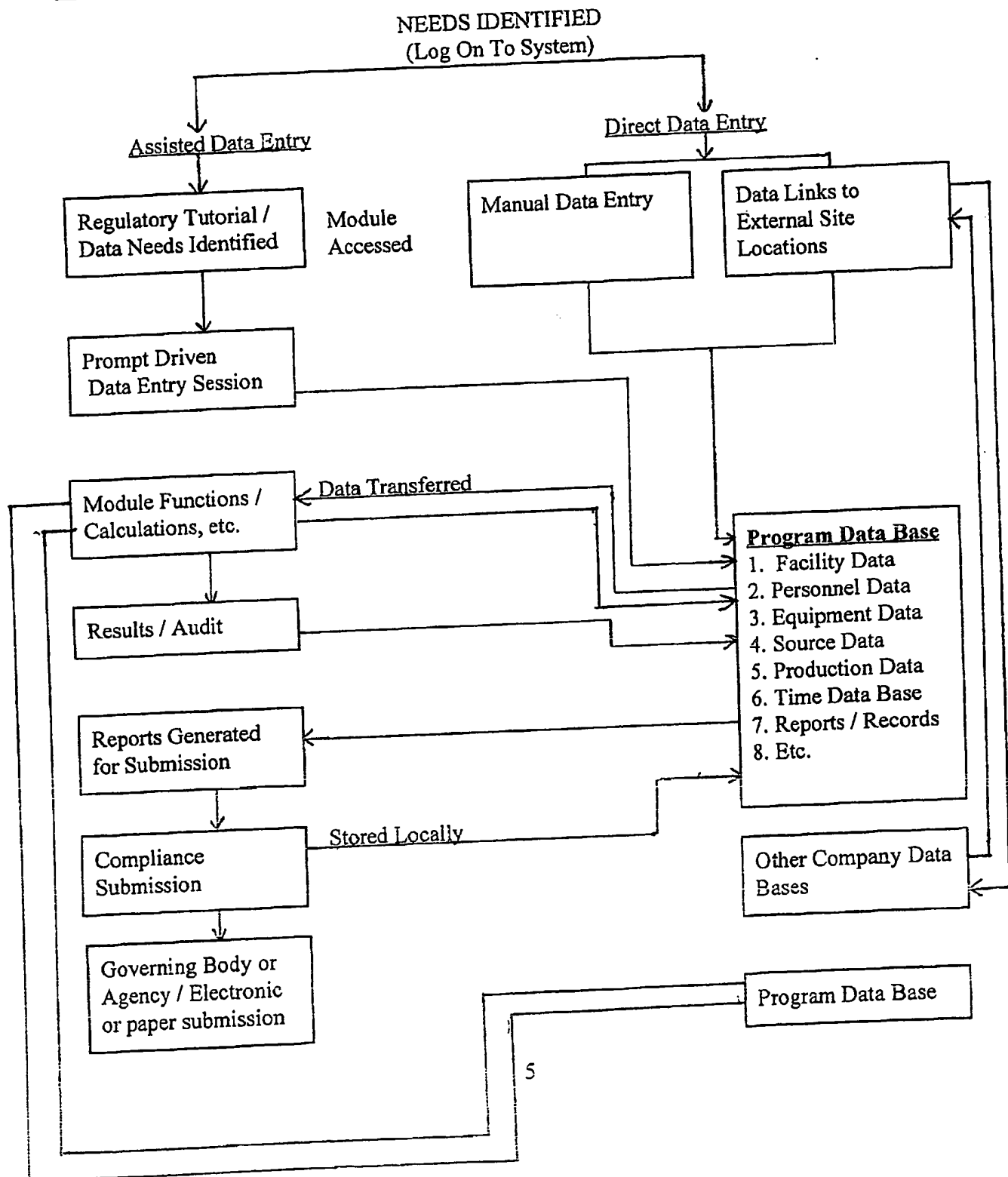
Once the functional system module has been selected and the appropriate data bases accessed, the module will automatically perform the required functions to complete the regulatory reports. In some cases, the calculation routines may be specified by the governing body ~~to be~~ either an industry accepted routine or an agency specified operation. These routines have been designed and are available through trade associations, agencies, etc. This system will license these programs and provide access to them through the Program Data Base as a default calculation routine. The user will be given the opportunity, for example, to choose a system designed AP42 *through site* calculation for storage tank air emissions or to access the EPA Chiefs version of Tanks II^o or any other industry or agency accepted software that might be available on a ~~some what~~ *license* share-ware *or license* ~~basis~~. The system modules will make use of cumulative data to prepare time-based (i.e. quarterly, annual, etc.) reports.

Results / Audit

Once the results have been obtained and the reports have been generated, the user will have the opportunity to audit the data and the report for accuracy and quality control. Of course the more experienced user will make better use of this function. The less experienced user may use this function as a learning tool to see what exactly they are required to report. The user will have the opportunity to accept or reject and modify the data that has been generated. *either*

Reports Generated for Submission

The module will now generate a final report for submission to the governing body or agency. The historical reports will be stored locally on the PDB rather than at the server interface to provide more secure data control. Companies will be able to retrieve these historical reports at any time on ~~their own~~ *their* system data base rather than having to log on to the on-line system. Reports may be either printed and submitted in hard copy as is the case ~~yet with most agencies~~ *(PDB)*, or they may be submitted electronically if the agency is set up for this service. *SNOC*

Program Process Flow Diagram

Example: Air Emissions Regulatory Module

The air emission regulatory module is a good example of data entry and calculations with decision tree analysis regarding the out-put. Air emissions compliance requires entering or accessing ~~from the system~~ ^{the data} facility (equipment and production data). The facility data will establish the location of the facility with regard to air quality control districts where requirements may change drastically from one ~~are~~ ^{area} to another. Location specific data triggers, ~~in addition to site~~ ^{specific} specific regulatory standards, climatological and meteorological data. ~~includes~~ ^{of the equipment}

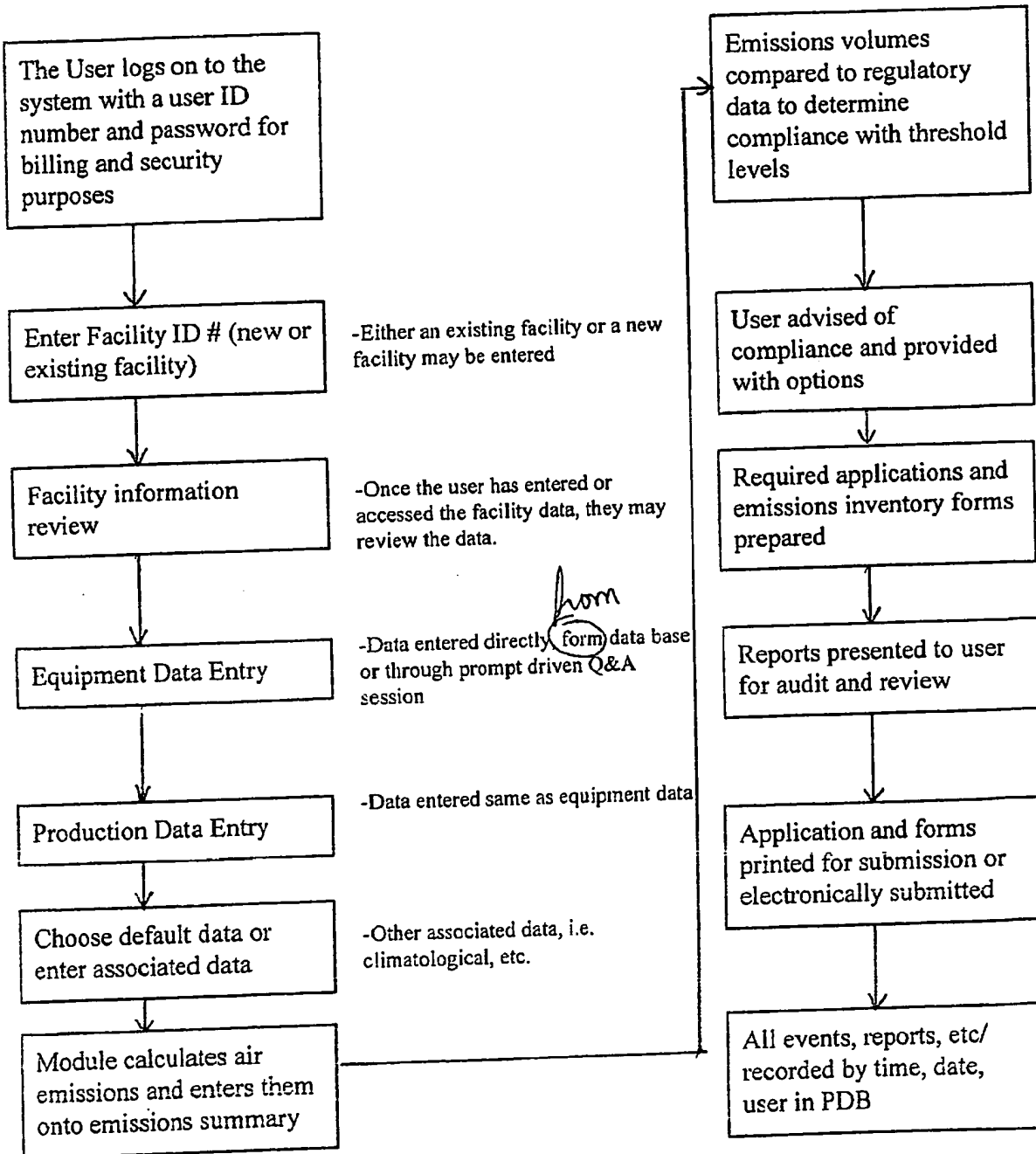
A large volume of detailed equipment data is required for this functional module. In addition to ~~size, ratings and dimensions, equipment condition~~ ^{specific equipment} is also used to trigger certain emissions factors to be used in the calculations. The user may not be prepared to enter all of the data in one session due to the lack of availability of this data. In this case, the program ~~will be able to~~ ^{will be able to} generate a questionnaire that will assist the user in obtaining all of the input data from the field location. Some manufacturers data may be required, for instance, on compressor engines. Again, this data may be entered into the PDB by direct entry prior to accessing the module. Once the data is entered with a corresponding ID #, that piece of equipment will always be identified with that same data. If a piece of equipment is moved from location to another, the emissions characteristics will follow that unit to the new facility ID and the cumulative emissions will be adjusted to match the time of service at each location.

Air emissions calculations require extensive data input and many complex calculation routines. Some industry accepted engineering calculation programs will be used by direct access with this module. Air emission also require a time function to track the emissions as well as the equipment usage throughout the year for the annual emissions inventory reporting. Annual emissions volumes are subject to regulatory limitations which must be kept current in the System Data Base. Also, production data must be kept on a time basis to allow for actual emissions assessments. Once the air emissions summaries are obtained, these emission volumes will be compared to the regulatory data base for that specific location to determine the compliance status of the facility. The system will advise the user of the compliance status and prompt them as to what must be done to attain compliance if the facility is non-compliant. The system will also assist the user in determining what emissions levels are acceptable.

The following flow diagram provides a simplified description of this process.

Air Module Process Flow Example

Scenario: The operator recognizes a need for air regulatory compliance for an oil and gas production facility



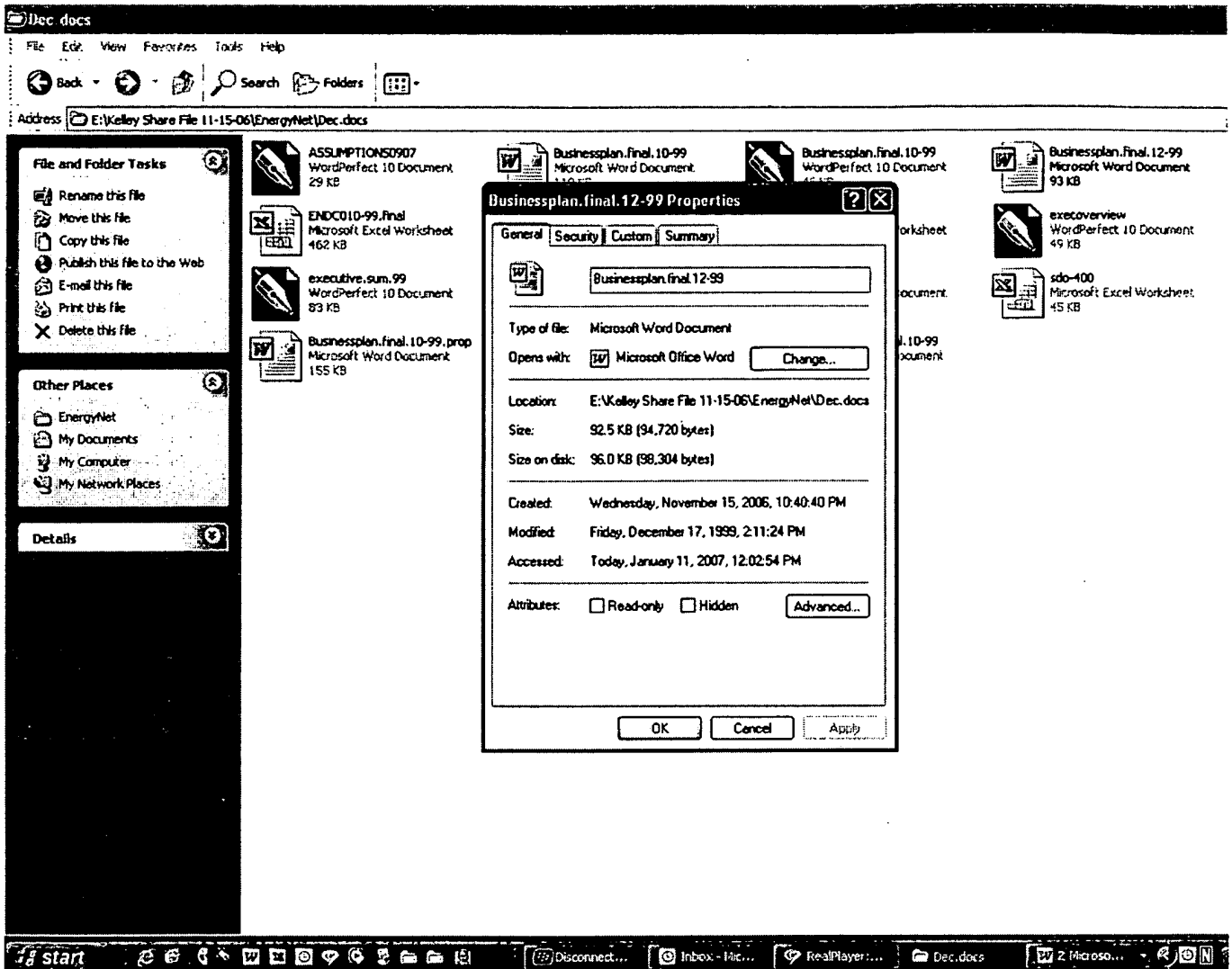
Digital Library

Also available to ~~both types of~~ ^{ENOC system} users is a digital library which contains regulatory laws, rules and regulations and summaries of each, as well as documents containing industry accepted standards, specifications and practices, i.e API, GRI, ASTM, ISO, etc. ~~standards~~, as well as government standards and specifications that may be used in the compliance process. This information will be provide in a number of ways which will be designed to reduce the liability associated with providing what might be considered legal advise. This information will be provided and accessed much in the same manner as the Bureau of National Affairs publications, Thompson Publication Services, the American Petroleum Institute, etc. In fact, many of these resources will be resold for a royalty on this system in order to provide the user with the broadest access to information. This library will be maintained in part through a system of "hot links" to agency and trade association web-sites to save the user the time required to research these sites.

Example: If the user is gathering information regarding a matter of compliance and desires to find out what the air requirements are in Harris County, Texas for VOC emissions for a new source, then they need only to indicate that they would like to get such information by clicking on the icon for that topic at the home site, and will ~~be~~ automatically be launched into that section of the site. At that point, the user will be able to download a copy of that portion of the regulations and ~~keep~~ ^{maintain} them in that facility file for future reference on that same or similar matters.

ENDC will maintain a staff that will monitor the individual state and federal agency web sites for new developments and will be available to provide enhancements when they are deemed necessary and as they are provided by the agencies.

EXHIBIT 6



BUSINESS PLAN '99

Energy_Net.com (ENDC)

Executive Summary

Energy_Net.com (ENDC) was born out of a recognized need in the marketplace. ENDC is a PC based, Internet accessible information management system designed to assist energy companies in managing their environmental, safety and regulatory compliance issues. As an Internet accessible system, ENDC enters the market with many advantages. First it offers an automated system for regulatory compliance that represents a substantial savings to the user. Second, it provides this system on the fast developing Internet with smart-links to the major information centers for the industry (trade association and agency web sites, information services, etc.), to provide easy access to information. ENDC is an on-line consultant that will assist the user in determining their regulatory needs, providing the tools necessary to fulfill those needs and then completing and, where possible, electronically submitting compliance reports to the necessary regulatory agency. ENDC will be designed such that it will be compatible with the major production accounting and information management programs. ENDC will perform its regulatory function by sharing data with the user's production accounting database system, while maintaining a companion database of regulatory information. The ENDC system will enable users to assess the compliance requirements for their operations, and once these requirements are determined, it will provide the tools necessary to establish regulatory compliance. The components of the ENDC system include a database information management and regulatory compliance tool, coupled with a digital library that will provide the user with a full complement of regulatory information services. In essence, ENDC will be a one-stop-shop for assessing regulatory needs, researching the ways and means to fulfill those needs and ultimately completing and filing the required compliance reports.

The market for ENDC is vast. Of the 8,000 producers of oil and gas in the U.S.A., over 7,400 are considered medium to small independents who typically out-source the functions that ENDC provides. These 8,000 producers operate approximately 884,000 oil and gas wells, each of which has specific and definite regulatory reporting requirements. ENDC will generate revenues based on usage which is determined by the number of wells that the user operates. ENDC plans to capture 25% of the available market over the first five years of operation at an average annual penetration rate of 5%. The small to medium operators will be attracted to ENDC for the cost savings as well as the ease of operation. The larger independent producers, as well as the major oil companies, will use ENDC for its innovation in data management as well as the access to information, thereby providing a market niche in every sector of the industry.

ENDC will be marketed aggressively through industry trade association contacts and seminars as well as through carefully orchestrated company seminars offered in the energy centers across the U.S. Once the oil and gas energy market has been successfully penetrated, ENDC will begin making inroads into the coal, utility, refining-manufacturing, and other regulated entities.

ENDC has selected a unique technology on which to build this system. The supplier of computer and Internet technology is Tenfold, Corp., a publically traded software company headquartered in Draper, Utah, and with business offices across the U.S. Tenfold uses a universal data base approach to write mission critical applications on a fixed time and cost basis. The Tenfold team has an impressive record of success in designing applications for other energy companies. Beyond the need for very effective software technology, ENDC recognizes the need to build a user friendly and industry friendly system that will satisfy the needs of even the least computer/Internet savvy producer-user. The program needed to be designed to fit the industry, rather than requiring the industry to adapt to the software.

For over 20 years, J. Roger Kelley has managed the environmental and regulatory affairs for various oil and gas exploration and production companies. In his quest for a useful regulatory data management and reporting system, he discovered that many single issue programs were available on the market, but none of them offered the flexibility and utility that he required to manage the information in the environmental management systems that he administered for his clients. Each of the available systems required maintenance of a separate data base of information for input into the operating systems. It was his knowledge and understanding of this problem that led Mr. Kelley to the idea for ENDC as a regulatory, database compliance tool. He understands the needs of the industry and has designed the technology of ENDC to fit those very needs.

Comment [COMMENT1]: Energy_Net.com

The Product

ENDC is a PC based, Internet accessible system designed to assist energy companies in managing their environmental, safety and regulatory compliance needs. The system will enable producers to assess the compliance requirements for their particular operations, and once these requirements are determined, it will provide the tools necessary to perform the appropriate regulatory compliance tasks. Specifically the system will assist producers in determining which regulations apply for their specific operation, guide them through the details of the applicable regulations, and finally provide them with information and tools necessary to comply. The information and tools will consist of explanations of the regulations, the actual text of the regulations with annotations explaining their significant requirements, information regarding forms, fees and penalties, agency specific contacts, and prompt driven compliance procedures. The system will ultimately perform the calculations required to complete the regulatory filings and then populate the agency reporting forms with these results.

For example, an operator desiring to determine the air compliance requirements for a production compressor station would initially log on to the system to find out his regulatory requirements. He would access the air initialization module and there enter the facility and equipment specific information, i.e. location, equipment type and specifications (size, horsepower rating, etc.). The system would then respond by providing the user with a list of the applicable regulations for compressor stations for that particular location and lead the user through a series of questions that will ultimately reveal the regulatory requirements for the facility. From here the operator could access more information and tools, including an interactive procedure for complying with these regulations. The full text of the regulations with annotations and explanations would also be available to them. Finally, the user will be asked to enter the necessary data, i.e. equipment specs, facility and site specific data, personnel data, etc. The system in response, would calculate the air emissions associated with this facility and complete the necessary forms and applications for compliance with state and/or federal regulations. These calculations and forms will then be made available in report format to the user for their review and approval. The same routine would follow for the other regulatory statutes that apply.

In summary, ENDC will be a combination of a full-featured, commerce-enabled, interactive website along with offline data-entry companion software. Once ENDC has been developed for the Oil and Gas Exploration and Production industry, the same data base system and even the same regulatory and calculation functions can be modified to serve other industries, i.e. coal, electric utilities, the chemical manufacturing industry, the refining industry, and many other businesses that are regulated and that require similar compliance activities, reports, etc.

Program Architecture

ENDC will be designed to provide regulatory compliance support through the previously described interactive process. The user will follow a decision tree analysis type procedure that will walk them through a specific compliance function. The key to ENDC's utility to the industry is the maintenance and accessibility of a data base of facility, equipment, personnel, production and other company specific information at the user's home site. Functional modules will be accessed through the Internet based program, for which the user will pay a usage based fee. In order to make the best use of company production information, ENDC will establish or create links with products that provide oil and gas well accounting services, e.g. Excaliber (Prodigy) and Rough Neck, thereby making full use of the existing information in the company data base. These links will enable the sharing of existing company information, thereby reducing the data entry duty. The successful use of these links will be a significant part of the program's function. Data entry methodology will be discussed at the end of this section.

In addition to the generation of compliance data and reports, the regulatory compliance portion of the program will include contact information for the various state and federal agencies in the form of names, addresses and telephone numbers for these contacts. This function will also include access to the required reporting forms for spills, releases, upset conditions, accidents, etc. Any other compliance reporting forms required by the state and federal agencies will also be provided, i.e. mechanical integrity reports, discharge monitoring reports for NPDES compliance, sundry notices for BLM/MMS reports, production reports, SARA Title III inventory and release reporting forms, etc. These forms will be populated from either the company information data base or from calculations performed using this information.

Also in this portion of the program, ENDC will enable the user to access and use industry accepted and government approved calculation routines. One such routine is the Tanks (Chief) program developed by the EPA to calculate air emissions from chemical and hydrocarbon storage tanks. These calculations are accepted by the federal agencies and sanctioned (and in some cases even required) by various state agencies. Another similar calculation routine is the Glycalc program developed by the Gas Research Institute (GRI). This program calculates hydrocarbon and hazardous air pollutant air emissions from glycol dehydration units that are used to remove excess water from produced natural gas prior to its sale. Each of these programs are currently being distributed on a cost basis. Through negotiations currently underway, each program may be accessed through a multi-user license for incorporation into the ENDC system.

The regulatory compliance program will be designed extremely user friendly, such that even the smallest oil and gas companies (or any other user) will find it easy to work through to obtain their desired goals. In addition to the calculation routines, ENDC will provide Astrawman's examples for other routine regulatory documents, e.g. Spill Prevention Control and Countermeasure Plans (SPCC), Oil Spill and Emergency Response Plans for environmentally sensitive areas, applications for permits to drill or explore on Federal leases, SARA Title III Compliance reports, etc. These documents will be designed to include the basic requirements for compliance with

these type regulations, without the inclusion of any extra provisions that might cause the user to incur any unnecessary liability. ENDC will retain the appropriate legal counsel to manage this risk for this part of the product.

Companion to the regulatory compliance portion of ENDC is a digital library that will provide Afingertip access to regulatory law, agency regulations based on these laws, guidance documents from agencies and trade associations, as well as online access to other information services. The digital library portion of the program will provide access to information generated by ENDC as well as other commercially available products. ENDC will provide links to the web sites of the state and federal agencies. These links will be intelligent links designed to direct the user to the information pertinent to their particular question. Many of the agency web sites are complicated for the novice user and sometimes even for the veteran user. ENDC will have a team that will be dedicated to searching these sites and providing these links using an industry friendly search methodology. In addition, this team will remain current on all regulatory as well as policy developments within these agencies and maintain the program library to reflect those changes.

Other information sources that will be provided include many that are currently commercially available through other services. As the premier and only product that provides the Aone-stop shopping service, these providers will be willing to allow ENDC to maintain and sell these services on a royalty basis. This same arrangement is available for guidance documents provided by agencies and industry trade associations. For example, documents published by the American Petroleum Institute (API) such as recommended practices, standards, etc., may be sold by ENDC with a royalty provided to the API for each sale. Publications by the International Standards Organization (ISO) will also be provided. Currently, API and other international standards are being converted into ISO type standards and made available to the international regulatory community.

ENDC plans to be able to provide, wherever appropriate and economical, copies of international standards and regulations in foreign and English translations. Of course these products will be developed only to meet specific market needs. The regulations, standards, etc. will be provided to the users in an Adobe7 type, read-only format.

Another function that will be possible with ENDC is electronic submission of all regulatory reports wherever such reporting is allowed. One of the long range plans for ENDC is to obtain DOE grant monies to assist the states in building these Ae-commerce type links.

Data Entry Technology

ENDC is forming a relationship with a company that supplies data transmission through Low Earth Orbit Satellites (LEO=s). The name of this company is LeoOne. Data transmission to a LEO can occur from any spot in the world. ENDC proposes to use hand-held, write-ready computers that can be used by oil and gas company lease operators or gaugers to record and input

production data. This data input will be transferred directly, after review by an immediate supervisor or other company designee, into ENDC's data base for that company. These hand-held computers will enable the lease operator to make changes in equipment and other facility information if necessary, as well as to provide comments pertinent to the operation of the individual wells and production facilities. Companies that use the ENDC computer will discover tremendous cost savings in the handling of this information. The daily gauge reports will be printed based upon the information that the lease operator inputs. These computers will have the capacity to calculate oil and gas production given the actual tank gauges, differential pressure readings, etc. Quality control checks can be employed at whatever level the user desires. The data input, hand-held computers will allow the user to receive production data from any spot on the globe. The same data that is entered using these computers will be routed into the data base that accesses the ENDC compliance routines, thereby completing the loop on company data management.

The Market

The initial target market for ENDC is the upstream energy market. According to IPAA statistics, there are approximately 8,000 oil and gas companies of varying sizes in the U.S. who represent potential users of ENDC. Of these 8,000 producers, over 7,400 are considered medium to small independents who typically out-source the functions which ENDC provides. The remainder of this number consists of large independent producers and major oil companies. Within this market, the potential user-operators range from the smaller independent operators that are not currently complying with all of the regulatory requirements out of fear, i.e. fear of the unknown costs and potential consequences of compliance; to the very sophisticated operators that are in need of a tool to manage the enormous volume of regulatory data and reports that are required. These 8,000 producers operate approximately 884,000 oil and gas wells, for which each well there are specific regulatory reporting requirements.

The environmental, safety and regulatory needs of this market are twofold. First, there is a clear need for a reduction in regulatory compliance costs. Under the increasingly unstable oil and gas market, producers are constantly looking for ways to reduce overall production costs, of which regulatory compliance is a growing concern. ENDC presents a more efficient and cost effective way to manage these compliance issues. Based on our experience, a small to mid-sized independent producer spends a minimum of approximately \$60,000 to \$100,000.00 per year on outside environmental consultants to manage environmental affairs alone. In comparison, ENDC will allow this same company to manage these issues in-house for approximately \$20,000.00 (a 67% reduction in annual costs). A larger company would have even greater cost savings due to economies of scale.

In addition to the cost reductions, there exists a need in the industry to increase the level of environmental, safety and regulatory compliance among its member companies. Increased compliance enhances the industry's position with the public, regulatory, and legislative sectors. The public relations issue is becoming most critical under the current market and political environments.

ENDC will streamline compliance efforts by providing a quick and easy way for producers to determine their regulatory obligations without having an intimate and in-depth understanding of these regulations and how they apply. ENDC provides an automated system that, combined with the company's existing well accounting systems, will allow the user-operator to generate reports and filings, as well as perform the necessary engineering calculations. It will, by design as an educational tool, serve to increase the users awareness of the issues.

Briefly, benefits of the system include:

- 3 Increased environmental, health and safety awareness through technology
- 3 Increased co-operation with the agencies and compliance with the regulations, thereby reducing risk exposure
- 3 Reduction in overall compliance cost (time & money)
- 3 Improved public perception through pro-active environmental, safety, and regulatory efforts.

ENDC may also provide statistical information to the Department of Energy and other interested agencies, regarding the overall usage of the program. These statistics could be used to evaluate the utility of the various regulatory modules and measure the overall effectiveness of the program as a regulatory compliance tool. No individual company information will be provided to the agencies in these statistics. This information will not and can not be used as part of an enforcement effort on an individual company or the industry as a whole!

The Competition

Several PC based programs have been introduced into the market that will perform a single regulatory compliance function or even a group of functions. However, none of these programs use a common database for maintaining regulatory information; and none are currently offered on the Internet with the Aone stop shop≡ feature offered by ENDC . Some of these products do maintain information pertinent to their target regulatory issues, but do not make that same data available for use by other systems. ENDC will be offered on the Internet and will have an interactive, time-based database function that will have the capability to retrieve all of the required input data from a general information database.

Our Position in the Market

ENDC enters the market as a sole source provider of Internet based regulatory consulting services. The Internet has evolved to a point where the general public is comfortable with finding information and making purchases over the web. By offering this service on the Internet, ENDC exploits the Ae-commerce business to business sales model which offers a product for sale to businesses on the Internet, while at the same time offering other value added enhancements as a lure to bring the user to the site. An Internet provider achieves success by providing a wide selection of services at good prices along with an effortless experience. This success will be realized by delivering about the same level of service through the Internet that users can currently get from a consultant (in person), but at a reduced cost and with other enhancements. ENDC can provide valuable services inexpensively and at a more comfortable level. Many of the smaller to medium size companies have a fear of the potential (unknown) costs and liabilities involved in getting an outside consultant involved in their regulatory affairs. ENDC provides a very controllable method, from the standpoint of both cost and liability, of researching and evaluating regulatory needs.

ENDC will serve as an industry magnet site by providing links to other products, services, government agencies, etc. Partnerships and alliances will be created with other non-competitive providers of information and services to establish the critical mass needed to become an industry magnet. ENDC will use a dedicated search engine, tied in with other search engines of other web sites through smart-links, to help the user to find the information and services that they are in need of. In order to provide users with value added information and assistance, ENDC will provide answers to frequently asked questions for each module or category. ENDC will use all of these information resources to attract clients and to generate new sources of revenue, such as advertising or sales of complementary products/services. The anticipated result of providing value added information on the ENDC web site will be to consolidate parts of the value chain. In this way, ENDC will create significant value for clients by reducing the number of entities they have to deal with in the value chain, thereby making the entire site more attractive to advertisers and user friendly to clients.

How ENDC Will Capture Market Share

ENDC plans to capture at least 25% of the market over a five year period (5% per year for five years). ENDC revenues will be based mainly on client usage, which is in turn driven by well count. ENDC will be provided to the operator or client/user via the Internet using a PC server based database system. The market for ENDC is very diverse. The major oil and gas companies will either desire a version of the program on site at the location of their corporate information services, or will they will require dedicated servers on the Internet to provide them with their desired level of security. The medium to small independent oil and gas companies, as well as the other service type users will use the program on-line. The client/user, depending upon his size, i.e. well-count, volumetric production, etc., may choose the product that best fits his needs from the following three product scenarios.

- 1) The client/user may elect to purchase an individual data base system customized for their company to insure the security of their data. These systems may involve local site based dedicated system or a dedicated ENDC based server. These dedicated systems will be sold for a minimum price of \$2,000,000.00 plus an annual maintenance fee equal to 10% of the base price. Customization of these systems would be billed on a cost plus basis. .
- 2) The client/user may pay an initial site license fee (\$2,500.00) plus a price per Ahit=(\$50.00) for each time the user logs on to the site to perform a fee function. It is estimated that the majority of the clients will choose this scenario due to the perception of a lower monthly cost.
- 3) The last scenario would be that the client may hire ENDC to input data and manage their company=s regulatory compliance program. Under this arrangement, ENDC would serve as an environmental consultant. This scenario would represent a somewhat different income stream for the company.

Other sources of revenues considered but not included in the financial analysis include income from advertising on the website along with the sales of documents and regulatory materials on the infobase. The list of oil and gas company service providers is vast and the exposure offered by ENDC will be sufficient to command a premium price for advertising on the site.

The main avenue of contact to the oil and gas industry will be through the oil and gas industry trade associations, both at the state and the national level. These contacts will be accomplished through presentations at the regularly scheduled trade association meetings as well as at jointly sponsored trade association seminars. The Petroleum Technology Transfer Council (PTTC) which operates under funding from the U.S. Department of Energy (DOE) and the functional support of the Independent Petroleum Association of America (IPAA), is aware of this product and is prepared to support it with jointly sponsored technical seminars across the country as it has heretofore conducted with other

petroleum technologies. The mission of the PTTC is to disseminate innovative technology to the petroleum industry for the purpose of the advancement of the energy industry in the United States. ENDC will, by design, encourage and enhance compliance with all of the regulations that apply to the exploration and production of oil and gas and will therefore entice the PTC to support the product.

Other state and national oil and gas trade associations will provide similar support through endorsement and promotion. The Texas Independent Producers and Royalty Owners Association (TIPRO) has expressed an interest in the product and has in the past sponsored seminars with Kelley Engineering as a means of providing information to their members and to help build membership. Other potential sponsoring organizations include the Gas Research Institute (GRI) and the Interstate Oil and Gas Compact Commission (IOGCC) . ENDC will use and endorse products that these entities have sponsored and developed, e.g. engineering calculation applications and information databases.

Government access to the system will be provided on a special use type license. No group licenses will be allowed, unless the group pays a license fee plus deposit, against which ENDC will charge each individual Ahit≅ to the site.

Technology

ENDC will be operated using a common data base of information which will be accessed by each regulatory reporting module. Kelley Engineering has the models for all of these modules. Most critical to the success of ENDC is the data entry function. This function must be tailored to the industry so that the units of the data match those that are retrieved from the field operations where they are generated.

The software technology that will be used to develop ENDC is a universal application with Acomponent ware≡ power functions developed by Tenfold Corporation. This application has been designed such that most of the application has been pre-built with the complex problems encountered in ENDC already solved. The Tenfold application allows the product developers to focused on describing data and desired functionality, rather than writing code. In this way, Tenfold is able to provide products on a fixed cost and time basis which is not typical of the software industry.

Key Players

The Staff

The secret to the success of ENDC will be its utility to the client/user. To insure this utility, ENDC will seek to hire professionals that are familiar with all phases of the operations of this industry. ENDC professionals should have a general understanding of and experience in some aspect of the oil and gas exploration, production, refining and marketing and the energy business as a whole, and preferably hands on experience with some phase of operations. They should, of course have expertise in their particular area of focus, i.e. marketing, regulatory, information systems, management, etc.

Currently, ENDC proposes the following staff assignments:

CEO - J. Roger Kelley
CFO / Executive V.P. - Merrill Littlewood
V.P. Marketing - Phil Rudd

The Board

W. Marvin Watson - Megahealth
Loren Carroll - Smith Industries, Inc.
Michael Cantrell (tentative)
Jim Jones - Former President: American Stock Exchange / Former Ambassador to Mexico / Attorney

Time Line

ENDC will require two stages of financing, 1) The startup phase in which the company will be set up and 2) The development phase in which the system will be designed, developed and brought to the market. ENDC is currently seeking a partner to provide seed capital for the startup phase of the venture. For the development phase, ENDC will seek private funding.

Startup Phase

This phase is expected to last approximately six (6) months, during which ENDC will be seeking government (or private) funding. The funds required for this phase will be approximately \$250,000.00 and will be used as follows:

Expense Item	Monthly Expense	Six Month Totals
Patent and Legal Expense	\$ 75,000.00	\$ 450,000.00
Salaries w/ taxes and benefits	\$ 53,335.00	\$ 320,100.00
Rent	\$ 5,000.00	\$ 30,000.00
GL Insurance	\$ 6,000.00	\$ 36,000.00
Computer Rentals	\$ 3,500.00	\$ 21,000.00
General Office Expenses	\$ 1,000.00	\$ 60,600.00
Telephone	\$ 1,500.00	\$ 9,000.00
Travel	\$ 20,000.00	\$ 120,000.00
Auto	\$ 700.00	\$ 4,200.00
General legal and consulting	\$ 25,000.00	\$ 150,000.00
Totals	\$ 191,035.00	\$ 1,200,900.00

The tasks that will need to be accomplished during this period are:

- 1) Negotiate with Tenfold to design and develop program.
- 2) Begin marketing effort with trade associations and state agencies to build credibility and to prepare the market.
- 3) Set up agreements with outside providers and service functions.
- 4) Develop prototype to be used on pc=s during marketing and financing phase.

Development Phase

This phase should take approximately six months before income is generated. Tasks to be accomplished during this phase include:

- 1) Development of Executive Overview Document (feasibility study) with Tenfold Corp.
- 2) Development of criteria manual with Tenfold.
- 3) Development of final product with Tenfold.
- 4) Presentation of prototype to trade associations, agencies, etc.
- 5) Finalization of agreements between ENDC and outside providers.
- 6) Beginning of marketing effort with industry.
- 7) Staffing of ENDC for support groups.
- 8) Data entry of state and federal agency regulatory data for initial target market states.

Finances

The five-year financial forecast is included at the end of this document and has been developed using the following assumptions and criteria.

Revenue Projections

1. Revenues for ENDC are generated through two business functions:
 - Computer program revenues
 - Consulting revenues
2. Computer Program Revenues are generated through the following markets:
 - 1) Site licensing for the Internet data-base: Site licenses will be sold for each client location that will be accessing and using the ENDC site. The smaller independent operators will be single site users, whereas the larger operators would most likely require multiple sites.

ENDC has predicted the probable number of data base licenses that can be sold in each state in a given month based upon available market combined with the ability to present and market the product. These predictions are also only based upon oil and gas company sales and does not include service companies, rental companies, consultants, etc. ENDC expects to capture approximately 25% of the market share of approximately 8000 producers as a with at least one license sold per producer. A single site license fee has been set at \$2,500.00 with each additional fee becoming a multiple of that cost.

- 2) Usage (Hits) on the ENDC web site: Beyond the site licensing fee, revenues will be generated by usage or Ahits on the web site. Usage will be driven primarily by well count. The number of wells that a user operates determines, or greatly influences, the number of regulatory functions that will be required. According to the U.S. Petroleum Statistics for 1998, published in April of 1999 by the Independent Petroleum Association of America in cooperation with the American Petroleum Institute, the domestic production of oil and gas is approximately 9.40 million barrels of oil equivalent per day (BOEPD) from 882,487 producing wells. The average per well production would therefore be approximately 110 BOEPD.

ENDC has chosen as a criteria for projecting revenues on sales, a market penetration rate based on per well usage of the system. For each well, federal and state regulations have dictated that certain reports and filings be completed and submitted to their respective agencies. ENDC has enumerated these reports and filings and has developed a per month usage factor based on these requirements. In some cases reports can be generated for several wells at once (per one hit) and this fact has been taken into consideration in the development of this factor. Only the major and most common regulatory reporting requirements were considered, although additional Allocation specific requirements will tend to increase the usage in selected cases (e.g. location in State and Federal Parks, Federal leases, wetlands, etc.). Following are the reporting criteria considered along with the usage factor assigned:

Requirement	Reporting Frequency	Monthly Usage Factor / Well
SPCC Plans	Every 36 months	0.0278
SARA Title III	Annually	0.0833
Air Issues	Annually	0.0833
NPDES Water Discharge	Quarterly for 1% of wells	0.0050

Requirement	Reporting Frequency	Monthly Usage Factor / Well ¹
Underground Injection Control	Annual + every five years for 50% of wells	0.0500
Production Reporting	Monthly and Annually	.0833
Waste issues	Every 60 months	0.0278
Cumulative Usage Factor		0.3605

1. This factor was determined based on report frequency for each well, e.g. monthly, quarterly, annually, etc.

This usage factor would be applied in the following manner to determine the monthly cost per site:

Larger companies will take advantage of economies of scale and will accomplish more well work per hit than the smaller companies. However, of the 8,000 producers in the U.S. - 7,400 own or operate an average of 100 wells^{1,2}. An average of 36 hits per month across the industry is a very conservative estimate, as there are many more usages for the system that cannot be tied directly to the wells through routine regulatory requirements. These other usages may be either issue driven, e.g. plaintiff lawsuits, landowner damage cases etc., or related to another aspect of the company program, e.g. training of employees, special project issues, etc.

The cumulative usage factor has been applied to the U.S. domestic well population at an approximately 5% annual penetration rate over a five year period. Each hit will be billed for a three hour time slot at the established cost per hit,

$$\text{Monthly Usage Factor} \times \frac{\text{Average No. Wells}}{\text{User}} \times \text{Cum. License Sales} \times \frac{\text{Price}}{\text{Hit}} = \text{Monthly Revenues}$$

after which the user will be required to log on for a new charge.

- 3) PC based sales include clients who desire a an exclusive ENDC system may purchase a site secured version of the program for \$2,000.00.00. ENDC may provide these secured systems either through dedicated servers at the ENDC server bank or with on site servers that are supported by ENDC. These sales will

be followed by an annual maintenance fee equal to 10% of the sales price or the price of the updated versions (\$200,000.00 or more). These systems will require a certain degree of customization, which the client will be expected to pay for over and beyond the original sales price.

- 4) Revenues for the consulting function will be generated by ENDC program sales. In addition to the current business, ENDC will generate follow-on work through Internet sales. These revenues are generated on an hourly billing basis. Excess revenues will be generated through product billing. Hourly billings have been calculated on a 40 hour per week billable rate at the rate of 4.34 weeks per month.. Any product billing or higher billable (e.g. expert witness, property acquisition, etc.) work that is generated will tend to skew these projections to the positive due to the higher billable rates involved (\$150.00 to \$300.00 per hour).

For a project engineer on normal project work, the rate would be calculated as follows:

$$\frac{\text{Hours worked}}{\text{Professional - Month}} \times \text{No.ofTotalProfessionals} \times \frac{\text{Rate}}{\text{Hour}} \times \frac{4.34 \text{ Weeks}}{\text{Month}} = \frac{\text{Revenue \$}}{\text{Month}}$$

Expense Projections

General Projections

3. An inflation index of 10% has been applied to all expense items, including salary expenses.
4. A tax and benefits factor of 30% has been applied to all salary expenses.

Cost of Sales

5. Advertising / Marketing - Advertising with trade associations and in trade journals. A rate of \$25,000.00 per month has been used to cover advertisements in publications and to sponsor functions at annual and semi-annual trade association meetings. The 10 largest oil and gas trade associations will require approximately \$5,000.00 per meeting to sponsor and advertise through exhibits. At least four of these associations have two meetings per year at which ENDC will be a sponsor as well as an exhibitor. This \$60,000.00 from the total annual budget of \$300,000.00 leaves approximately \$20,000.00 per month for advertising in 157 trade periodicals, journals, newsletters, etc. Examples of these publications include:
 - ☐ Oil and Gas Investor - \$2,500.00/mo
 - ☐ TIPRO Target - \$600.00/mo
 - ☐ Oil and Gas Journal - \$2,500.00/mo
 - ☐ Oil and Gas World - \$1,000.00/mo
 - ☐ Hart Directories - \$5,000.00/year
 - ☐ World Oil - \$1,000.00/mo
 - ☐ Other state trade association newsletters and journals- \$7,400.00
6. Travel / Entertainment - Travel for the officers to promote business and associations. The \$20,000.00 per month will be used to for travel and expenses for the main promoters of ENDC (e.g. principles, officers, etc.) to travel to trade association meetings as well as major client and trade contacts to promote relationships within the industry (business to business contacts as well as business to client contacts).
7. Training / Marketing - ENDC seminars for training and marketing, includes travel and materials for teams to conduct promotional seminars as well as follow-up training seminars for users. These seminars will be held primarily for a multi-user audience. Initially, ENDC will send out two teams of each to conduct seminars and increase the staff to eight teams in the second year to accommodate growth. Each team will be able to

cover approximately 20-30 client contacts per week such that by the 13th month ENDC will have the potential to reach 240 clients per week.

General and Administrative Expenses

8. Salary Expense - Includes software related salaries from worksheets E and F for operations and marketing and consulting salaries from worksheet D. Use a 30% tax and benefit multiplier and a 10% inflation factor.
9. Server and computer equipment will be leased to allow for management of upgrades of hardware as well as software. The monthly budget of \$3,500.00 will support the rental of approximately 25-30 work stations and a server for the office network, plus printers, etc. Using the business lease program for the office computer equipment allows ENDC to take advantage of regular hardware (and software) upgrades as well as tax deductions from the expenses incurred.
10. Web server space may be leased or purchased. ENDC will have a T1 connection at all locations. The monthly expense of \$20,000.00 will provide for either leasing of web server space from a provider or the purchase and maintenance of server equipment at ENDC's facilities.
11. General Counsel retainer and outside legal expenses may be converted to in-house general counsel with more limited usage of outside counsel.
12. Board Members stipend and insurance has been included for the six board members that have been chosen for the ENDC board.
13. Depreciation and Amortization Expense

Oil and Gas Development in the United States in the Early 1990's: An Expanded Role for Independent Producers , October 1995, Energy Information Administration, Office of Energy Markets and End Use, U.S. Department of Energy, Washington.

IPAA personal contact with Scott Espenshade, Washington, D.C.

Listing of the four hundred largest oil and gas companies according to oil production.
Information supplied by Save Domestic Crude, Inc. directly.

EXHIBIT 7

ROMGR

File Edit View Favorites Tools Help

Back Search Folders

Address E:\Kelley Share File 11-15-06\ROMGR

File and Folder Tasks

- Rename this file
- Move this file
- Copy this file
- Publish this file to the Web
- E-mail this file
- Print this file
- Delete this file

Other Places

- Kelley Share File 11-15-06
- My Documents
- My Computer
- My Network Places

Details

Name	Size	Type	Date Modified
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Business Plan		File Folder	1/11/2007 1:54 PM
OLM1		File Folder	1/11/2007 6:33 PM
WebPage		File Folder	1/11/2007 7:36 PM
New.stuff		File Folder	1/12/2007 12:19 AM
ROMDC.Plans		File Folder	1/12/2007 12:29 AM
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Flowchart2	35 KB	WordPerfect 10 Do...	3/19/1998 1:09 AM
curfisttr	10 KB	WordPerfect 10 Do...	4/8/1998 8:23 AM
businessplan	32 KB	WordPerfect 10 Do...	8/13/1998 3:59 PM
Web Page Doc	13 KB	WordPerfect 10 Do...	11/20/1998 8:15 AM
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enhanced-outline	34 KB		
execoverview	49 KB		
compute2a	108 KB		
businessplan99	106 KB		
compute3a	118 KB		
Kelley	538 KB		
ENDC082599BG	373 KB		
ASSUMPTIONS	14 KB		
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sdo-400	58 KB		
businessplan09-99	64 KB		
ENDC.outline	19 KB		
businessplan99	65 KB		
ASSUMPTIONS.mkt	5 KB		
SAP.PRESENTATION	1,258 KB		
Energy_Net plan letter	21 KB		
ENDC083099BG	437 KB		
ROMDC	25 KB		
ENDCF	349 KB		
ENDC.FINANCES	347 KB		
ent_instructions	317 KB		
1162600	6 KB		
ROMGR.plan	18 KB		
Book2	18 KB		
Copy of Book2	18 KB		
Kelley	298 KB		
ENDC090799RK	482 KB		
Energy_Net plan letter.prop	188 KB		
kelley.zip.prop	108 KB		

ENDC.FINANCES Properties

General Security Custom Summary

ENDC.FINANCES

Type of file: Microsoft Excel Worksheet

Opens with: Microsoft Office Excel Change...

Location: E:\Kelley Share File 11-15-06\ROMGR

Size: 347 KB (355,328 bytes)

Size on disk: 348 KB (356,352 bytes)

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Modified: Monday, August 21, 2000, 7:15:28 PM

Accessed: Today, January 12, 2007, 5:42:01 PM

Attributes: ☐ Read-only ☐ Hidden Advanced...

OK Cancel Apply

start Discon... PasPla... TAF.S... 2 Mic... 2 Mic... ROMGR

Staffing

		<u>1st Month</u>	<u>2nd Month</u>	<u>3rd Month</u>
CEO	15,000.00	15,000.00		
COO	12,500.00	12,500.00		
CFO	12,500.00	12,500.00		
Controller	10,000.00	10,000.00		
CIO	10,000.00	10,000.00		
V.P. Marketing	10,000.00	10,000.00		
Program Specialist	5,000.00	5,000.00		
Program Specialist	5,000.00	5,000.00		
Program Specialist	5,000.00	5,000.00		
Program Specialist	5,000.00	5,000.00		
Program Specialist	5,000.00	5,000.00		
Environmental Director	6,250.00	6,250.00		
Environmental Specialists	10,000.00	10,000.00		
Environmental Specialists	10,000.00	10,000.00		
Environmental Specialists	10,000.00	10,000.00		
Environmental Specialists	10,000.00	10,000.00		
Environmental Specialists	10,000.00	10,000.00		
Safety Director	6,250.00	6,250.00		
Safety Specialists	5,000.00	5,000.00		
Safety Specialists	5,000.00	5,000.00		
Safety Specialists	5,000.00	5,000.00		
Safety Specialists	5,000.00	5,000.00		
Regulatory Director	6,250.00	6,250.00		
Regulatory Specialists	5,000.00	5,000.00		
Regulatory Specialists	5,000.00	5,000.00		
Regulatory Specialists	5,000.00	5,000.00		
Marketing Staff	5,000.00	5,000.00		
Marketing Staff	5,000.00	5,000.00		
Marketing Staff	5,000.00	5,000.00		
Marketing Staff	5,000.00	5,000.00		
Marketing Staff	5,000.00	5,000.00		
Administrative Staff			0.00	
Secretary / Receptionist	2,085.00	2,085.00		
Clerk	3,750.00	3,750.00		
			0.00	
			0.00	

		0.00
		0.00
Total Salary Expense	229,585.00	229,585.00

13th Month 14th Month15th Month

CEO	15,000.00
COO	12,500.00
CFO	12,500.00
Controller	10,000.00
CIO	10,000.00
V.P. Marketing	10,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Environmental Director	6,250.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Safety Director	6,250.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Regulatory Director	6,250.00
Regulatory Specialists	5,000.00
Regulatory Specialists	5,000.00
Regulatory Specialists	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00

Administrative Staff	
Secretary / Receptionist	2,085.00
Clerk	3,750.00

Total Salary Expense	229,585.00
----------------------	------------

25th Month 26th Month27th Month

CEO	15,000.00
COO	12,500.00
CFO	12,500.00
Controller	10,000.00
CIO	10,000.00
V.P. Marketing	10,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Environmental Director	6,250.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Safety Director	6,250.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Regulatory Director	6,250.00
Regulatory Specialists	5,000.00
Regulatory Specialists	5,000.00
Regulatory Specialists	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00

Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Administrative Staff	
Secretary / Receptionist	2,085.00
Clerk	3,750.00

Total Salary Expense	229,585.00
----------------------	------------

37th Month 38th Month 39th Month

CEO	15,000.00
COO	12,500.00
CFO	12,500.00
Controller	10,000.00
CIO	10,000.00
V.P. Marketing	10,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Environmental Director	6,250.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Safety Director	6,250.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Regulatory Director	6,250.00
Regulatory Specialists	5,000.00
Regulatory Specialists	5,000.00

Regulatory Specialists	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Administrative Staff	
Secretary / Receptionist	2,085.00
Clerk	3,750.00

Total Salary Expense	229,585.00
----------------------	------------

49th Month 50th Month 51st Month

CEO	15,000.00
COO	12,500.00
CFO	12,500.00
Controller	10,000.00
CIO	10,000.00
V.P. Marketing	10,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Program Specialist	5,000.00
Environmental Director	6,250.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Environmental Specialists	10,000.00
Safety Director	6,250.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Safety Specialists	5,000.00
Regulatory Director	6,250.00

Regulatory Specialists	5,000.00
Regulatory Specialists	5,000.00
Regulatory Specialists	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Marketing Staff	5,000.00
Administrative Staff	
Secretary / Receptionist	2,085.00
Clerk	3,750.00

Total Salary Expense	229,585.00
----------------------	------------

4th Month 5th Month 6th Month 7th Month 8th Month 9th Month 10th Month 11th Month

16th Month17th Month18th Month19th Month20th Month21st Month22nd Month23rd Month

28th Month29th Month30th Month31th Month32th Month33rd Month34th Month35th Month

40th Month41st Month42nd Month43rd Month44th Month45th Month46th Month47th Month

52nd Month53rd Month54th Month55th Month56th Month57th Month58th Month59th Month

12th MonthCumulative

24th MonthCumulative

36th MonthCumulative

48th MonthCumulative

60th MonthCumulative

EXHIBIT 8

ROMDC.Plans

File Edit View Favorites Tools Help

Back Search Folders

Address E:\Kelley Share File 11-15-06\ROMGR\ROMDC.Plans

File and Folder Tasks

- Rename this file
- Move this file
- Copy this file
- Publish this file to the Web
- E-mail this file
- Print this file
- Delete this file

Other Places

- ROMGR
- My Documents
- My Computer
- My Network Places

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Microsoft Word Document
81 KB

Nowplan.outline
WordPerfect 10 Document
33 KB

ROMDC.ASSUMP.040300
WordPerfect 10 Document
13 KB

ROMGR 5 year Revenue
Projection
Microsoft Office Excel V

Copy of
Businessplan.06.26.200
Microsoft Word Document

news.prop
Microsoft Word Document
176 KB

Businessplan.06.10.2000
WordPerfect 10 Document
37 KB

news7-1-2000
WordPerfect 10 Document
20 KB

ROMDC-REVENUES-v5
Microsoft Excel Worksheet
311 KB

seed.can

Businessplan.06.26.2000
Microsoft Word Document
81 KB

Revenue.11-16-00
Microsoft Excel Worksheet
27 KB

ROMDC-REVENUES-v6
Microsoft Excel Worksheet
312 KB

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flowchart.5-00
WordPerfect 10 Document
19 KB

Businessplan.06.2
WordPerfect 10 Document
39 KB

ROMDC-REVENUE
Microsoft Excel Worksheet
297 KB

Businessplan.06.2
Microsoft Word Document
168 KB

Copy of news7-1-
WordPerfect 10 Document
20 KB

ROMDC.ASSUMP.040300 Properties

General Security Summary



ROMDC.ASSUMP.040300

Type of file: WordPerfect 10 Document

Opens with: WordPerfect(R) 10

Change...

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Size: 12.4 KB (12,765 bytes)

Size on disk: 16.0 KB (16,384 bytes)

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Modified: Wednesday, April 05, 2000, 5:08:36 AM

Accessed: Today, January 11, 2007, 1:05:25 PM

Attributes: ☐ Read-only ☐ Hidden

Advanced...

OK

Cancel

start

Disco... Inbo... Real... ROM... Busin... Micro... Wor...

PROFORMA ASSUMPTIONS

Comment [DocXchang1]: Page: 1
***DocX Reports Header A-1 text
was:***
Regulatory Online Managment.com April
4, 2000
End Of Header A-1

Introduction of Assumptions

According to the U.S. Petroleum Statistics for 1998, published in April of 1999 by the Independent Petroleum Association of America in cooperation with the American Petroleum Institute, the domestic production of oil and gas is approximately 9.40 million barrels of oil equivalent per day (BOEPD) from 882,487 producing wells. The average per well production would therefore be approximately 110 BOEPD. According to the Independent Petroleum Association of America (IPAA) there are approximately 8000 oil and gas companies in the United States. However, of the 8,000 producers in the U.S. - 7,360 (92%) own or operate an average of 100 wells^{1,2}. From this information ROMDC formulated a tiered approach to the industry based on size and the needs that arise due to these size differences. The driving force for each of these tiers is the distribution of oil and gas wells and facilities throughout the company. The smaller companies tend to have more "single well" leases such that each well would tend to have a separate facility associated with it. Facilities may contain storage vessels, treating vessels, internal combustion engines, direct fired heaters, water injection wells, waste discharge and disposal situations, etc., all conditions which tend to present a need for regulatory compliance in all areas.

Using this tiered approach added to its vast experience in this industry, ROMDC has used actual company data to determine "pre-" and "post-" adoption expense figures for regulatory compliance. These terms indicate before and after adoption of the on-line regulatory management system within their organizations respectively.

Tier I Companies

This Tier includes a market of approximately 736,000 wells operated by the aforementioned 7,360 of the 8,000 companies that operate an average of 100 wells per company. The distribution in this Tier accounts for 92% of the total market and will be the major target of this product. ROMDC has significant experience with this size company and understands the distribution of their monthly compliance costs.

Tier II Companies

This Tier includes an additional 91,500 wells operated by approximately 5% of the remaining oil and gas companies. ROMDC has direct experience with a company in this Tier also and has actual expense figures that enables the prediction of the pre- and post-adoption expenses. The personnel data in this tier and the associated personnel costs represent actual job assignments and salary expenses for various existing clients.

Tier III Companies

The information in this market Tier has been extrapolated from the other two Tiers taking advantage of economies of scale while also applying working knowledge of staff

functions and the associated employee expenses in this size organization. This Tier accounts for approximately 55,000 of the total market of wells operated by 3% of the oil and gas companies.

Revenue Projections

1) Revenues are generated through the following markets:

a) Site licensing for the Internet data-base: Site licenses will be sold for each client location that will be accessing and using the ROMDC site. The smaller independent operators will be single site users, whereas the larger operators may require multiple sites. Site licenses will be valued according to the tier in which they are sold.

- Tier I site licenses will be sold at the rate of \$2,500.00 per site,
- Tier II site licenses will be sold at the rate of \$20,000.00 per site, and
- Tier III site licenses will be sold at the rate of \$30,000 per site.

ROMDC has predicted the probable number of data base licenses that can be sold in each state in a given month based upon well penetration in the market. These predictions are also only based upon oil and gas company sales and do not include service companies, rental companies, consultants, etc. ROMDC expects to capture approximately 25% of the market share of approximately 882,347 producing wells at a penetration rate of five (5) % per year.

b) Per well charge: The on-line regulatory service will be sold to the operator on a price per well basis. For example, a 100 well company may pay \$30.00± per well per month for unlimited compliance usage of the system. Regulatory research (into the online data base) will be billed additionally on an hourly basis.

1. Oil and Gas Development in the United States in the Early 1990's: An Expanded Role for Independent Producers , October 1995, Energy Information Administration, Office of Energy Markets and End Use, U.S. Department of Energy, Washington.
2. IPAA: Personal contact with Scott Espenshade, IPAA / Washington, D.C.
3. Listing of the four hundred largest oil and gas companies according to oil production. Information supplied by Save Domestic Crude, Inc. directly.

EXHIBIT 9

ROL Patent Docs

File Edit View Favorites Tools Help

Back Search Folders

Address E:\Kelley Share File 11-15-06\ROL\NEW\ROL Patent Docs

File and Folder Tasks

- Rename this file
- Move this file
- Copy this file
- Publish this file to the Web
- E-mail this file
- Print this file
- Delete this file

Other Places

- ROL\NEW
- My Documents
- My Computer
- My Network Places

Details

Flowchart flowchart2 businessplan PTTC exccoverview businesspla... businesspla... Businesspla... Flowchart3 Businesspla... Businessp
Bplan.04.2000 OnePageS... 2.17.02.pr... For Release -KE ROL ... HTC - ROL - 01 ENDC Process Flow Overview News Letter 1994 Merrick Memo ROL Website 01 Copy of Bplan.04.2000

Bplan.04.2000 Properties

General Security Summary

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Opens with: WordPerfect(R) 10 Change...
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Size on disk: 48.0 KB (49,152 bytes)
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Modified: Thursday, April 20, 2006, 4:41:58 PM
Accessed: Today, January 11, 2007, 2:36:20 PM
Attributes: ☐ Read-only ☐ Hidden Advanced...

OK

Cancel

Apply

start [Taskbar icons: Internet Explorer, Outlook, Word, PowerPoint, etc.] [System tray: Volume, Network, etc.]

Regulatory Online Management.com (ROMDC)

Executive Summary

Regulatory Online Management.com (ROMDC) was born out of a recognized need in the marketplace. ROMDC is a PC based, Internet accessible information management system designed to assist energy companies in managing their environmental, safety and regulatory compliance issues. As an Internet accessible system, ROMDC enters the market with many advantages. First it offers an automated system for regulatory compliance that represents a substantial savings to the user. Second, it provides this system on the fast developing Internet with smart-links to the major information centers for the industry (trade association and agency web sites, information services, etc.), to provide easy access to information. ROMDC is an on-line consultant that will assist the user in determining their regulatory needs, providing the tools necessary to fulfill those needs and then completing and, where possible, electronically submitting compliance reports to the necessary regulatory agency. ROMDC will be designed such that it will be compatible with the major production accounting and information management programs. ROMDC will perform its regulatory function by sharing data with the user's production accounting database system, while maintaining a companion database of regulatory information. The ROMDC system will enable users to assess the compliance requirements for their operations, and once these requirements are determined, it will provide the tools necessary to establish regulatory compliance. The components of the ROMDC system include a database information management and regulatory compliance tool, coupled with a digital library that will provide the user with a full complement of regulatory information services. In essence, ROMDC will be a "one-stop-shop" for assessing regulatory needs, researching the ways and means to fulfill those needs and ultimately completing and filing the required compliance reports.

The market for ROMDC is vast. Of the 8,000 producers of oil and gas in the U.S.A., over 7,400 are considered medium to small independents who typically out-source the functions that ROMDC provides. These 8,000 producers operate approximately 884,000 oil and gas wells, each of which has specific and definite regulatory reporting requirements. ROMDC will generate revenues based on usage which is determined by the number of wells that the user operates. ROMDC plans to capture 25% of the available market over the first five years of operation at an average annual penetration rate of 5%. The small to medium operators will be attracted to ROMDC for the cost savings as well as the ease of operation. The larger independent producers, as well as the major oil companies, will use ROMDC for its innovation in data management as well as the access to information, thereby providing a market niche in every sector of the industry.

ROMDC will be marketed aggressively through industry trade association contacts and seminars as well as through carefully orchestrated company seminars offered in the energy centers across

the U.S. Once the oil and gas energy market has been successfully penetrated, ROMDC will begin making inroads into the coal, utility, refining-manufacturing, and other regulated entities.

ROMDC has selected a unique technology on which to build this system. The supplier of computer and Internet technology is Tenfold, Corp., a publically traded software company headquartered in Draper, Utah, and with business offices across the U.S. Tenfold uses a universal data base approach to write mission critical applications on a fixed time and cost basis. The Tenfold team has an impressive record of success in designing applications for other energy companies. Beyond the need for very effective software technology, ROMDC recognizes the need to build a user friendly and industry friendly system that will satisfy the needs of even the least computer/Internet savvy producer-user. The program needed to be designed to fit the industry, rather than requiring the industry to adapt to the software.

For over 20 years, J. Roger Kelley has managed the environmental and regulatory affairs for various oil and gas exploration and production companies. In his quest for a useful regulatory data management and reporting system, he discovered that many single issue programs were available on the market, but none of them offered the flexibility and utility that he required to manage the information in the environmental management systems that he administered for his clients. Each of the available systems required maintenance of a separate data base of information for input into the operating systems. It was his knowledge and understanding of this problem that led Mr. Kelley to the idea for ROMDC as a regulatory, database compliance tool. He understands the needs of the industry and has designed the technology of ROMDC to fit those very needs.

Comment [DocXchang2]: Page: 2
Energy-Net.com

The Product

ROMDC is a PC based, Internet accessible system designed to assist energy companies in managing their environmental, safety and regulatory compliance needs. The system will enable producers to assess the compliance requirements for their particular operations, and once these requirements are determined, it will provide the tools necessary to perform the appropriate regulatory compliance tasks. Specifically the system will assist producers in determining which regulations apply for their specific operation, guide them through the details of the applicable regulations, and finally provide them with information and tools necessary to comply. The information and tools will consist of explanations of the regulations, the actual text of the regulations with annotations explaining their significant requirements, information regarding forms, fees and penalties, agency specific contacts, and prompt driven compliance procedures. The system will ultimately perform the calculations required to complete the regulatory filings and then populate the agency reporting forms with these results.

For example, an operator desiring to determine the air compliance requirements for a production compressor station would initially log on to the system to find out his regulatory requirements. He would access the air initialization module and there enter the facility and equipment specific information, i.e. location, equipment type and specifications (size, horsepower rating, etc.). The system would then respond by providing the user with a list of the applicable regulations for compressor stations for that particular location and lead the user through a series of questions that will ultimately reveal the regulatory requirements for the facility. From here the operator could access more information and tools, including an interactive procedure for complying with these regulations. The full text of the regulations with annotations and explanations would also be available to them. Finally, the user will be asked to enter the necessary data, i.e. equipment specs, facility and site specific data, personnel data, etc. The system in response, would calculate the air emissions associated with this facility and complete the necessary forms and applications for compliance with state and/or federal regulations. These calculations and forms will then be made available in report format to the user for their review and approval. The same routine would follow for the other regulatory statutes that apply.

In summary, ROMDC will be a combination of a full-featured, commerce-enabled, interactive website along with offline data-entry companion software. Once ROMDC has been developed for the Oil and Gas Exploration and Production industry, the same data base system and even the same regulatory and calculation functions can be modified to serve other industries, i.e. coal, electric utilities, the chemical manufacturing industry, the refining industry, and many other businesses that are regulated and that require similar compliance activities, reports, etc.

Program Architecture

ROMDC will be designed to provide regulatory compliance support through the previously described interactive process. The user will follow a decision tree analysis type procedure that will walk them through a specific compliance function. The key to ROMDC'S utility to the industry is the maintenance and accessibility of a data base of facility, equipment, personnel, production and other company specific information at the user's home site. Functional modules will be accessed through the Internet based program, for which the user will pay a usage based fee. In order to make the best use of company production information, ROMDC will establish or create links with products that provide oil and gas well accounting services, e.g. Excaliber (Prodigy) and Rough Neck, thereby making full use of the existing information in the company data base. These links will enable the sharing of existing company information, thereby reducing the data entry duty. The successful use of these links will be a significant part of the program's function. Data entry methodology will be discussed at the end of this section.

In addition to the generation of compliance data and reports, the regulatory compliance portion of the program will include contact information for the various state and federal agencies in the form of names, addresses and telephone numbers for these contacts. This function will also include access to the required reporting forms for spills, releases, upset conditions, accidents, etc. Any other compliance reporting forms required by the state and federal agencies will also be provided, i.e. mechanical integrity reports, discharge monitoring reports for NPDES compliance, sundry notices for BLM/MMS reports, production reports, SARA Title III inventory and release reporting forms, etc. These forms will be populated from either the company information data base or from calculations performed using this information.

Also in this portion of the program, ROMDC will enable the user to access and use industry accepted and government approved calculation routines. One such routine is the Tanks (Chief) program developed by the EPA to calculate air emissions from chemical and hydrocarbon storage tanks. These calculations are accepted by the federal agencies and sanctioned (and in some cases even required) by various state agencies. Another similar calculation routine is the Glycalc program developed by the Gas Research Institute (GRI). This program calculates hydrocarbon and hazardous air pollutant air emissions from glycol dehydration units that are used to remove excess water from produced natural gas prior to its sale. Each of these programs are currently being distributed on a cost basis. Through negotiations currently underway, each program may be accessed through a multi-user license for incorporation into the ROMDC system.

The regulatory compliance program will be designed extremely user friendly, such that even the smallest oil and gas companies (or any other user) will find it easy to work through to obtain their desired goals. In addition to the calculation routines, ROMDC will provide "strawman" examples for other routine regulatory documents, e.g. Spill Prevention Control and Countermeasure Plans (SPCC), Oil Spill and Emergency Response Plans for environmentally sensitive areas, applications for permits to drill or explore on Federal leases, SARA Title III Compliance reports, etc. These documents will be designed to include the basic requirements for compliance with these type regulations, without the inclusion of any extra provisions that might

cause the user to incur any unnecessary liability. ROMDC will retain the appropriate legal counsel to manage this risk for this part of the product.

Companion to the regulatory compliance portion of ROMDC is a digital library that will provide "fingertip" access to regulatory law, agency regulations based on these laws, guidance documents from agencies and trade associations, as well as online access to other information services. The digital library portion of the program will provide access to information generated by ROMDC as well as other commercially available products. ROMDC will provide links to the web sites of the state and federal agencies. These links will be intelligent links designed to direct the user to the information pertinent to their particular question. Many of the agency web sites are complicated for the novice user and sometimes even for the veteran user. ROMDC will have a team that will be dedicated to searching these sites and providing these links using an industry friendly search methodology. In addition, this team will remain current on all regulatory as well as policy developments within these agencies and maintain the program library to reflect those changes.

Other information sources that will be provided include many that are currently commercially available through other services. As the premier and only product that provides the "one-stop shopping" service, these providers will be willing to allow ROMDC to maintain and sell these services on a royalty basis. This same arrangement is available for guidance documents provided by agencies and industry trade associations. For example, documents published by the American Petroleum Institute (API) such as recommended practices, standards, etc., may be sold by ROMDC with a royalty provided to the API for each sale. Publications by the International Standards Organization (ISO) will also be provided. Currently, API and other international standards are being converted into ISO type standards and made available to the international regulatory community.

ROMDC plans to be able to provide, wherever appropriate and economical, copies of international standards and regulations in foreign and English translations. Of course these products will be developed only to meet specific market needs. The regulations, standards, etc. will be provided to the users in an Adobe® type, read-only format.

Another function that will be possible with ROMDC is electronic submission of all regulatory reports wherever such reporting is allowed. One of the long range plans for ROMDC is to obtain DOE grant monies to assist the states in building these "e-commerce" type links.

Data Entry Technology

ROMDC is forming a relationship with a company that supplies data transmission through Low Earth Orbit Satellites (LEO's). The name of this company is LeoOne. Data transmission to a LEO can occur from any spot in the world. ROMDC proposes to use hand-held, write-ready computers that can be used by oil and gas company lease operators or gaugers to record and input production data. This data input will be transferred directly, after review by an immediate supervisor or other company designee, into ROMDC's data base for that company. These hand held computers will enable the lease operator to make changes in equipment and other facility information if necessary, as well as to provide comments pertinent to the operation of the

individual wells and production facilities. Companies that use the ROMDC computer will discover tremendous cost savings in the handling of this information. The daily gauge reports will be printed based upon the information that the lease operator inputs. These computers will have the capacity to calculate oil and gas production given the actual tank gauges, differential pressure readings, etc. Quality control checks can be employed at whatever level the user desires. The data input, hand-held computers will allow the user to receive production data from any spot on the globe. The same data that is entered using these computers will be routed into the data base that accesses the ROMDC compliance routines, thereby completing the loop on company data management.

The Market

The initial target market for ROMDC is the upstream energy market. According to IPAA statistics, there are approximately 8,000 oil and gas companies of varying sizes in the U.S. who represent potential users of ROMDC. Of these 8,000 producers, over 7,400 are considered medium to small independents who typically out-source the functions which ROMDC provides. The remainder of this number consists of large independent producers and major oil companies. Within this market, the potential user-operators range from the smaller independent operators that are not currently complying with all of the regulatory requirements out of fear, i.e. fear of the unknown costs and potential consequences of compliance; to the very sophisticated operators that are in need of a tool to manage the enormous volume of regulatory data and reports that are required.

These 8,000 producers operate approximately 884,000 oil and gas wells, for which each well there are specific regulatory reporting requirements.

The environmental, safety and regulatory needs of this market are twofold. First, there is a clear need for a reduction in regulatory compliance costs. Under the increasingly unstable oil and gas market, producers are constantly looking for ways to reduce overall production costs, of which regulatory compliance is a growing concern. ROMDC presents a more efficient and cost effective way to manage these compliance issues. Based on our experience, a small to mid-sized independent producer spends a minimum of approximately \$60,000 to \$100,000.00 per year on outside environmental consultants to manage environmental affairs alone. In comparison, ROMDC will allow this same company to manage these issues "in-house" for approximately \$20,00.00 (a 67% reduction in annual costs). A larger company would have even greater cost savings due to economies of scale.

In addition to the cost reductions, there exists a need in the industry to increase the level of environmental, safety and regulatory compliance among its member companies. Increased compliance enhances the industry's position with the public, regulatory, and legislative sectors. The public relations issue is becoming most critical under the current market and political environments.

ROMDC will streamline compliance efforts by providing a quick and easy way for producers to determine their regulatory obligations without having an intimate and in-depth understanding of these regulations and how they apply. ROMDC provides an automated system that, combined with the company's existing well accounting systems, will allow the user-operator to generate reports and filings, as well as perform the necessary engineering calculations. It will, by design as an educational tool, serve to increase the users awareness of the issues.

Briefly, benefits of the system include:

- Increased environmental, health and safety awareness through technology
- Increased co-operation with the agencies and compliance with the regulations, thereby reducing risk exposure

- Reduction in overall compliance cost (time & money)
- Improved public perception through pro-active environmental, safety, and regulatory efforts.

ROMDC may also provide statistical information to the Department of Energy and other interested agencies, regarding the overall usage of the program. These statistics could be used to evaluate the utility of the various regulatory modules and measure the overall effectiveness of the program as a regulatory compliance tool. No individual company information will be provided to the agencies in these statistics. This information will not and can not be used as part of an enforcement effort on an individual company or the industry as a whole!

The Competition

Several PC based programs have been introduced into the market that will perform a single regulatory compliance function or even a group of functions. However, none of these programs use a common database for maintaining regulatory information; and none are currently offered on the Internet with the "one stop shop" feature offered by ROMDC. Some of these products do maintain information pertinent to their target regulatory issues, but do not make that same data available for use by other systems. ROMDC will be offered on the Internet and will have an interactive, time-based database function that will have the capability to retrieve all of the required input data from a general information database.

Our Position in the Market

ROMDC enters the market as a sole source provider of Internet based regulatory consulting services. The Internet has evolved to a point where the general public is comfortable with finding information and making purchases over the web. By offering this service on the Internet, ROMDC exploits the "e-commerce" business sales model which offers a product for sale to businesses on the Internet, while at the same time offering other value added enhancements as a lure to bring the user to the site. An Internet provider achieves success by providing a wide selection of services at good prices along with an effortless experience. This success will be realized by delivering about the same level of service through the Internet that users can currently get from a consultant (in person), but at a reduced cost and with other enhancements. ROMDC can provide valuable services inexpensively and at a more comfortable level. Many of the smaller to medium size companies have a fear of the potential (unknown) costs and liabilities involved in getting an outside consultant involved in their regulatory affairs. ROMDC provides a very controllable method, from the standpoint of both cost and liability, of researching and evaluating regulatory needs.

ROMDC will serve as an industry magnet site by providing links to other products, services, government agencies, etc. Partnerships and alliances will be created with other non-competitive providers of information and services to establish the critical mass needed to become an industry magnet. ROMDC will use a dedicated search engine, tied in with other search engines of other web sites through smart-links, to help the user to find the information and services that they are in need of. In order to provide users with value added information and assistance, ROMDC will provide answers to frequently asked questions for each module or category. ROMDC will use all of these information resources to attract clients and to generate new sources of revenue, such as advertising or sales of complementary products/services. The anticipated result of providing value added information on the ROMDC web site will be to consolidate parts of the value chain. In this way, ROMDC will create significant value for clients by reducing the number of entities they have to deal with in the value chain, thereby making the entire site more attractive to advertisers and user friendly to clients.

How ROMDC Will Capture Market Share

ROMDC plans to capture at least 25% of the market over a five year period (5% per year for five years). ROMDC revenues will be based mainly on client usage, which is in turn driven by well count. ROMDC will be provided to the operator or client/user via the Internet using a PC server based database system. The market for ROMDC is very diverse. The major oil and gas companies will either desire a version of the program on site at the location of their corporate information services, or will they will require dedicated servers on the Internet to provide them with their desired level of security. The medium to small independent oil and gas companies, as well as the other service type users will use the program on-line. The client/user, depending upon his size, i.e. well-count, volumetric production, etc., may choose the product that best fits his needs from the following three product scenarios.

- 1) The client/user may elect to purchase an individual data base system customized for their company to insure the security of their data. These systems may involve local site based dedicated system or a dedicated ROMDC based server. These dedicated systems will be sold for a minimum price of \$2,000,000.00 plus an annual maintenance fee equal to 10% of the base price. Customization of these systems would be billed on a cost plus basis. .
- 2) The client/user will pay an initial site license fee (\$2,500.00) plus a price per well per month. It is estimated that the majority of the clients will choose this scenario due to the perception of a lower monthly cost.
- 3) The last scenario would be that the client may hire ROMDC to input data and manage their company's regulatory compliance program. Under this arrangement, ROMDC would serve as an environmental consultant. This scenario would represent a somewhat different income stream for the company.

Other sources of revenues considered but not included in the financial analysis include income from advertising on the website along with the sales of documents and regulatory materials on the infobase. The list of oil and gas company service providers is vast and the exposure offered by ROMDC will be sufficient to command a premium price for advertising on the site.

The main avenue of contact to the oil and gas industry will be through the oil and gas industry trade associations, both at the state and the national level. These contacts will be accomplished through presentations at the regularly scheduled trade association meetings as well as at jointly sponsored trade association seminars. The Petroleum Technology Transfer Council (PTTC) which operates under funding from the U.S. Department of Energy (DOE) and the functional support of the Independent Petroleum Association of America (IPAA), is aware of this product and will be invited to support it with jointly sponsored technical seminars across the country to the extent that it has with other new petroleum technologies. The mission of the PTTC is to disseminate innovative technology to the petroleum industry for the purpose of the advancement of the energy

industry in the United States. ROMDC will, by design, encourage and enhance compliance with all of the regulations that apply to the exploration and production of oil and gas and will therefore encourage the trade associations as well as the government funded entities to support the product.

Other state and national oil and gas trade associations will provide similar support through endorsement and promotion. The Texas Independent Producers and Royalty Owners Association (TIPRO) has expressed an interest in the product and has in the past sponsored seminars with Kelley Engineering as a means of providing information to their members and to help build membership. Other potential sponsoring organizations include the Gas Research Institute (GRI) and the Interstate Oil and Gas Compact Commission (IOGCC) . ROMDC will use and endorse products that these entities have sponsored and developed, e.g. engineering calculation applications and information databases.

Government access to the system will be provided on a special use type license. No group licenses will be allowed, unless the group pays a license fee plus deposit, against which ROMDC will charge each individual "hit" to the site.

Technology

ROMDC will be operated using a common data base of information which will be accessed by each regulatory reporting module. Kelley Engineering has the models for all of these modules. Most critical to the success of ROMDC is the data entry function. This function must be tailored to the industry so that the units of the data match those that are retrieved from the field operations where they are generated.

The software technology that will be used to develop ROMDC is a universal application with "component ware" power functions developed by Tenfold Corporation. This application has been designed such that most of the application has been pre-built with the complex problems encountered in ROMDC already solved. The Tenfold application allows the product developers to focused on describing data and desired functionality, rather than writing code. In this way, Tenfold is able to provide products on a fixed cost and time basis which is not typical of the software industry.

Key Players

The Staff

The secret to the success of ROMDC will be its utility to the client/user. To insure this utility, ROMDC will seek to hire professionals that are familiar with all phases of the operations of this industry. ROMDC professionals should have a general understanding of and experience in some aspect of the oil and gas exploration, production, refining and marketing and the energy business as a whole, and preferably hands on experience with some phase of operations. They should, of course have expertise in their particular area of focus, i.e. marketing, regulatory, information systems, management, etc.

The Board

W. Marvin Watson - Megahealth
Loren Carroll - Smith Industries International, Inc.
Michael Cantrell - OBEC Oil Company
Jim Jones - Former President: American Stock Exchange / Former Ambassador to Mexico / Attorney
J. Roger Kelley - KEI

Time Line

ROMDC will require two stages of financing, 1) The startup phase in which the company will be set up, staffed and marketed and 2) The development phase in which the system will be designed, developed and brought to the market. ROMDC is currently seeking a partner(s) to provide seed capital for the startup phase of the venture. For the development phase, ROMDC will seek private funding.

Startup Phase

This phase is expected to last approximately six (6) months, during which ROMDC will be seeking private funding. The funds required for this phase will be approximately \$1.5 MM. The tasks that will need to be accomplished during this period are:

- 1) Work Tenfold to design and develop program.
- 2) Begin marketing effort with trade associations and state agencies to build credibility and to prepare the market.
- 3) Acquire necessary start-up staff to perform startup functions.
- 4) Set up agreements with outside providers and service functions.
- 5) Develop prototype to be used on pc's during marketing and financing phase.

Development Phase

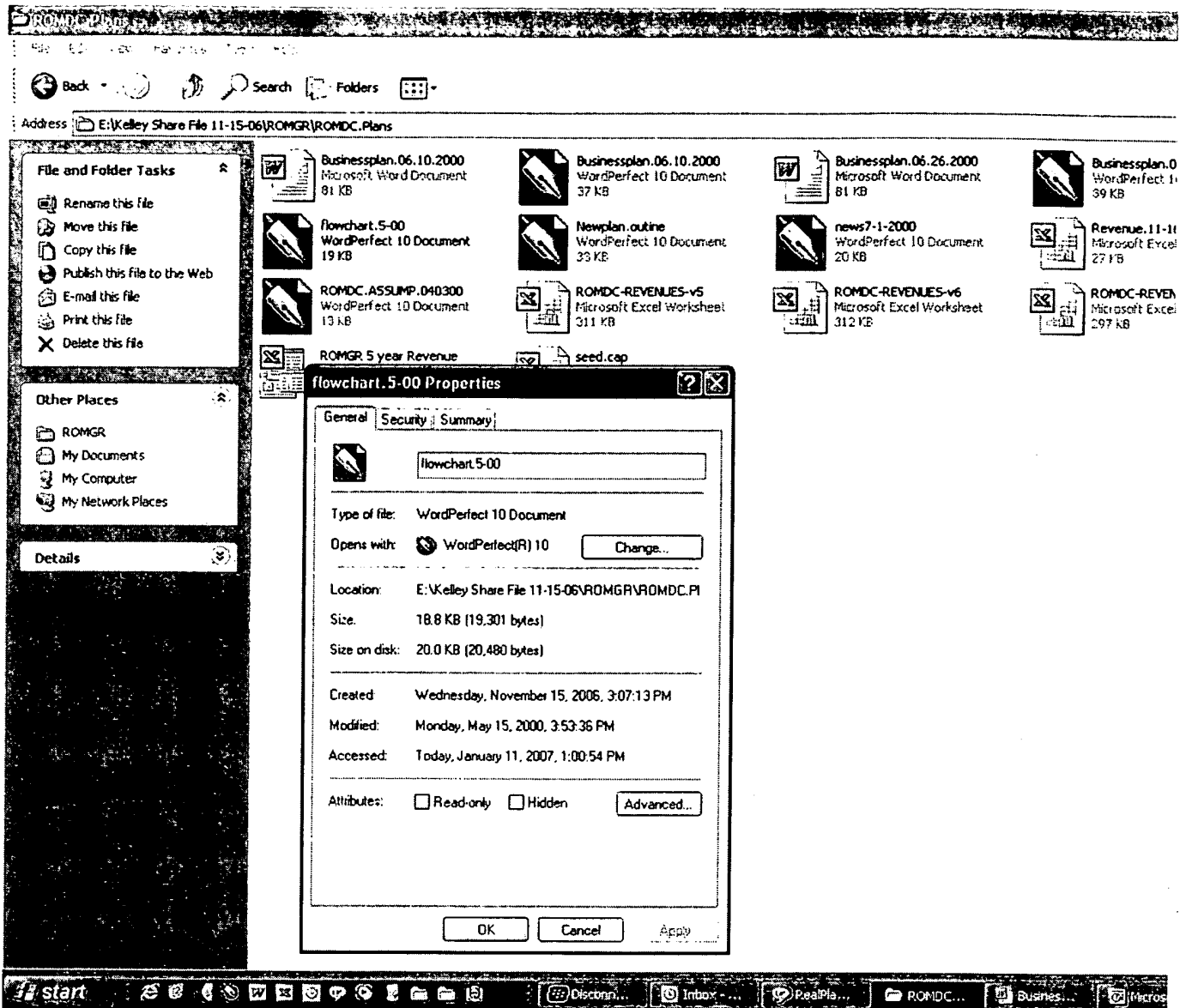
This phase should take approximately six months before income is generated. Tasks to be accomplished during this phase include:

- 1) Development of Executive Overview Document (feasibility study) with Tenfold Corp.
- 2) Development of criteria manual with Tenfold.
- 3) Development of final product with Tenfold.
- 4) Presentation of prototype to trade associations, agencies, etc.
- 5) Finalization of agreements between ROMDC and outside providers.
- 6) Beginning of marketing effort with industry.
- 7) Complete staffing of ROMDC for support groups.
- 8) Data entry of state and federal agency regulatory data for initial target market states.

Finances

The five-year financial forecast is included at the end of this document and has been developed using the attached assumptions and criteria.

EXHIBIT 10



REGULATORY DATABASE PROGRAM

I. Database Input - All data may be entered initially or on an as need basis, such that a grand data entry project need not necessarily be required.

A. Personnel

- Enter all personnel at all levels of the company that are involved in the regulatory process, along with their job function, location, level of responsibility, etc.
- Assign a personnel I.D. number to each individual involved with a particular facility, property or group of facilities or properties. This I.D. number will link this person to a particular facility or property or to a certain job function or both, with a time function involved.
- For those individuals with responsibilities at upper management levels, special I.D. numbers will be assigned to identify them as such.

B. Facility

- Location, i.e. Latitude/Longitude; UTM Coordinates, City, County, State, etc.
- Type, e.g. Oil/Gas Production Facility, Gas Plant, Disposal Facility, Compressor Station, etc.
- Facility I.D. number - assigned by the operator of the facility
- Operator I.D. number - assigned to the operator of the facility

C. Equipment

- Each piece of equipment involved in the regulatory process, i.e. tanks, compressors, pumps, process units, etc. will be entered into the data base with the required data.
- Each piece of equipment will be assigned an equipment I.D. number that will remain with that equipment as long as it is owned by the company. This I.D. number will be linked to the facility on a timed basis in order to allow calculation of air emissions from that particular piece of equipment, etc.

- The user will be prompted to enter all of the pertinent equipment specifications required to perform the various reporting functions. These specifications may be entered as a batch function or on an as need basis.

II. Functional Modules

- A. Topics - The regulatory topics to be addressed by the functional modules include but are not limited to the following regulatory statutes:
- Spill Prevention Countermeasure and Control
 - SARA Title III
 - Air emission compliance
 - Waste water discharge monitoring and reporting - NPDES
 - Toxic Wastes reporting - TSCA
 - Waste management tracking and planning
 - Underground Injection Control - testing, monitoring and reporting
 - Environmental and safety training
 - Naturally Occurring Radioactive Materials (NORM)
 - And other environmental safety and regulatory issues that have application in oil and gas exploration and production operations

B. Operation of Functional Modules

Each of the functional modules listed in II.A. above will perform either a reporting function, a calculation function, a documentation functions, or any combination of two or more of these functions. The user will log on to the Internet based program through the product web-site. For a first time user, a registration program will be available that will require the user to enter the necessary information that will establish an account with Gasinfo.com complete with passwords log-on I.D.'s etc. The choices available to the user at this point will be:

- 1) Enter data directly into the database choosing from one of the database entry routines as listed above,

- 2) Access a functional module and enter the data as directed by the prompt driven system,
- 3) Enter into one of the infobase systems to access any one of the many industry information services provided by the program, or
- 4) Access another website that is linked into the Gasinfo.com site.

III. Individual Module Operation

A. Spill Prevention Control and Countermeasure (SPCC) Plans -

The SPCC module performs a compliance function that allows the user to enter facility, personnel and personnel information into the database which is in entered into Federally required report form. The module also takes the operator through a prompt driven series of questions, the answers to which enable the program to complete the SPCC plan. In this prompt driven process, the user may either accept the default answers or custom design an SPCC report that reflects a modified operating scenario. This module involves:

- Data entry
- Question and answer session
- Simple calculations

B. SARA Title III Reporting

The SARA module performs a compliance function that involves data entry, decision tree analysis with regard to inventory volumes, and a very intense report generation routine. Chemical inventory data is entered into the database along with the facility data. From this information the module can determine the target agencies for the site specific reports, generate reports and letters, and document the reporting effort.

C. Air Emission Compliance and Reporting

The air emission module is one of the more complicated routines with regard to calculations and documentation. This module has a built in time function that allows the program to track air emissions for each subject facility over a particular time period for reporting purposes. This module involves intense data entry, documentation, calculations, and reporting. Compliance reports can be generated and modified automatically from facility to facility using the time based function.

D. Waste Water Discharge Monitoring Reports (DMR's)

The waste water module also involves a time function which allows the user to input analytical data from the monitoring of waste water discharges under the Federal National Pollutant Discharge Elimination System (NPDES) program on a timed basis in order to fulfill the reporting requirements of this statute. The waste water module also involves a calculation and a documentation function which takes the raw data, enters the results on the required form, and completes the remainder of the document using the facility and personnel data in the database.

E. Toxic Substances Reporting - (TSCA)

This module uses a documentation and calculation routine to document and report the use and production of substances subject to this act.

F. Waste Management and Tracking

The waste management module is primarily a waste management program to track the treatment, storage and disposal of wastes generated during the exploration and production of oil and gas. This module involves a documentation and a time function to track the compliance with waste regulations on the State and Federal level.

G. Underground Injection Control (UIC)

The UIC regulations require that operators conduct mechanical integrity testing (MIT) on all underground produced water injection wells on a regularly scheduled basis. The UIC module requires input into the data base of MIT results as well as well characteristics, documentation, simple calculations, and form completion.

H. Environmental and Safety Training

Some of the environmental and safety statutes require that operators conduct regularly scheduled training of employees regarding the requirements of these statutes. This module provides for the timed documentation of this training as well as record keeping and reporting. This information will be entered into the personnel database as well as to that pertaining to the applicable statute.

I. Naturally Occurring Radioactive Materials (NORM)

NORM is a naturally occurring substance that is associated with almost all minerals that originate below the earth's surface. Most of the state oil and gas regulatory bodies have adopted a regulation that sets a threshold level for NORM in oil field equipment and the surrounding environment, i.e. soils, water, etc. The NORM module provides for documentation of the monitoring or testing for NORM in these areas. This testing is usually a one time occurrence on a single well lease, but may require repeating on a lease where conditions may change. This module involves data entry and documentation, including some personnel monitoring.

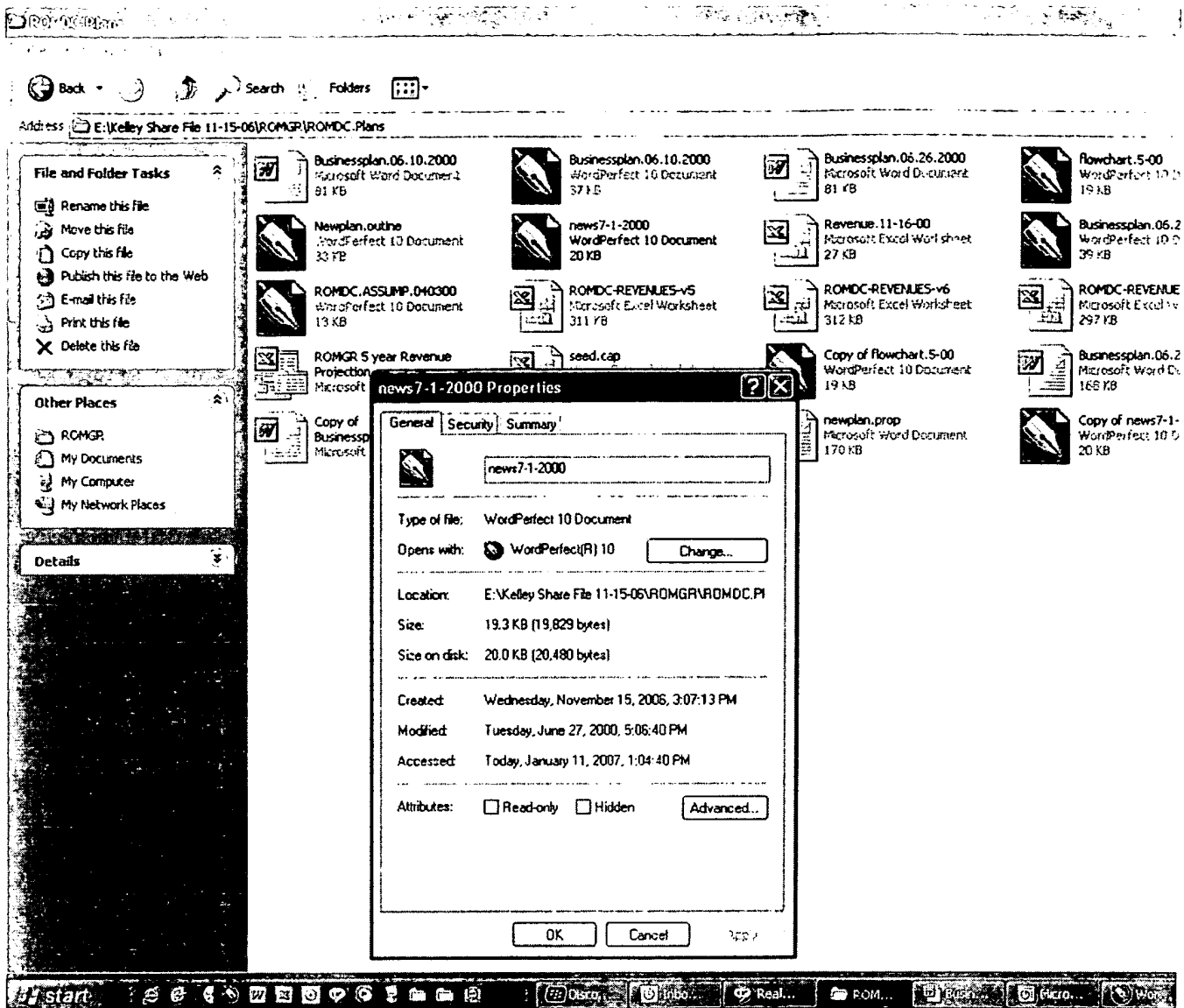
J. Other modules will be added to this data base system as the regulatory needs arise. The oil and gas exploration and production operations involve reporting and monitoring for production allowables, production rates, sales volumes, etc. Further, the modules included in this database program also have applications in other industrial and commercial operations, and will in time be adapted to those applications.

IV. Infobase System

The infobase system will serve as a resource for statutory references, industry practices, reporting forms and guidelines, current developments in regulatory issues, etc. The infobase system will be populated in a variety of ways, including but not limited to the following:

- Annotated state and federal environmental statutes, rules and regulations provided through links to other services or through individual research.
- Recommended practices and industry standards provided by industry trade associations.
- Ρεπορτινγ φορμς, γυιδελινες, 2νδ προχεδυρες τη2τ φ2χιλιτ2τε χομπλι2νχε ωιτη στ2τε 2νδ φεδερ2λ ενπιρονμεντ2λ ρυλες 2νδ ρεγυλ2τιονς οβτ2ινεδ φρομ ρεγ υλ2τορψ 2γενχιες, ρεφορμυλ2τεδ φορ τηε δ2τ2β2σε προγρ2μ. Μ2νψ οφ τηεσε φορ μς ωιλλ βε χομπλετεδ βψ τηε ινφορμ2τιον προπιδεδ ιν τηε π2ριους φυνχτιον2λ μ οδυλες.
- Current trends and developments in regulatory and legal matters related to oil and gas exploration and production operations. This information will be retrieved from trade associations, lobby groups, and other information services and provided on the infobase for producers to use in the making of business decisions.

EXHIBIT 11



Evolution is Good

ROMGR is in exciting times. We have accepted the magnitude of our opportunity and have modeled our planning philosophy to be more fluid based. It is important to be flexible as the Internet matures, so must ROMGR adjust to market changes. We must assimilate information and changes in business constructs quickly, and be able to grasp and run with the new constructs.

Who are we?

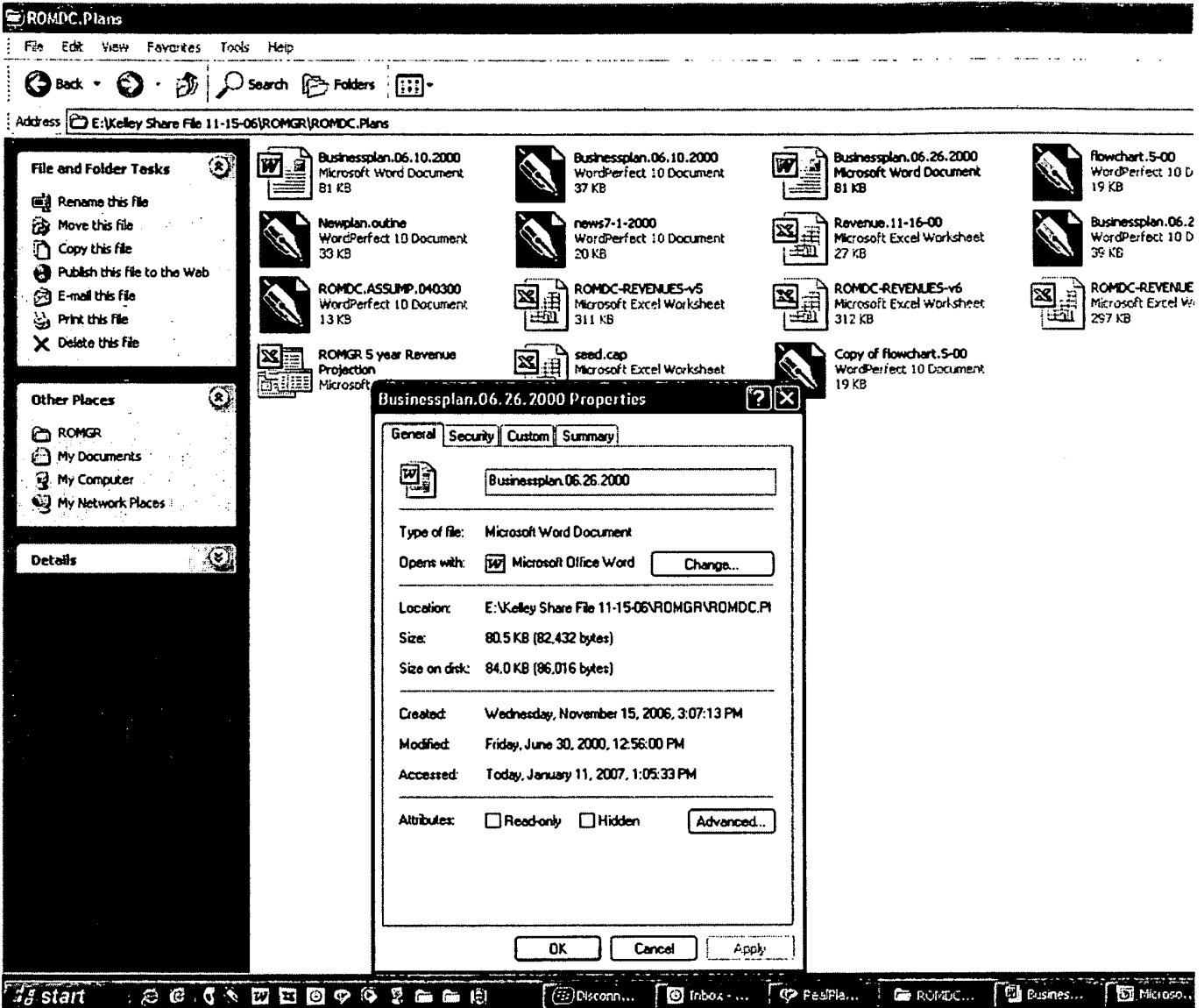
We are the fastest easiest and most cost effective way to assess regulatory needs (in most industries globally), research ways and means to fulfill those needs and ultimately complete and file the required compliance reports.

Virtually all industries on the planet are regulated in some form by either a governmental agency or a self regulating industry body. In most cases it is arduous at best and difficult if not impossible at worst to understand and remain in compliance (good standing) with all the "Red Tape" without expensive outside help. Especially for the small to medium sized companies that don't have the ability to absorb costly and unknown amounts of expert help. It is this quandary that forced the to above mentioned "fluid planning" concept. Roger Kelly (CEO of ROMGR) and his team are continually accessing the ability of the company to leverage base concepts and technology to capture the "Red Tape Market" in all industries.

Recent Accomplishments

ROMGR has in the last few weeks executed on several fronts: 1) There has been an agreement struck with the law firm Bracewell and Patterson to become a strategic partner with many of our legal issues. Including the patenting of our intellectual property (which is well underway) and corporate support such as the organization of ROMGR into a Delaware Corporation and addressing issues relating to capital structure. They have also committed to address our environmental legal issues as they relate to regulatory compliance; 2) The business plan has been through several iterations and now reflects our current vision of capturing the global "Red Tape Market" with the initial target niche being the upstream energy market; 3) We are pleased that Lane Moesser formerly with MAXXAM Inc. (a global leader in several highly regulated industries and respected on Wall Street as one of the most innovative and tough financiers) has come on board as our (Interim CFO) and is working with Roger Kelly (CEO) on all levels strategic planning and development; 4) ROMGR has secured its URL and selected a company logo (Bracewell and Paterson will be filling the appropriate trade mark and other documents); 5)EOG resources continues to be interested in ROMGR as a strategic partner and is looking at the company to become a second round financial partner as well, after the first round has been secured.

EXHIBIT 12



BUSINESS PLAN 2000

Regulatory Online Manager (romgr.com)

Executive Summary

Regulatory Online Manager (romgr.com) was born out of a recognized need in the marketplace. ROMGR is an Internet accessible information management system designed to assist most industries worldwide in managing environmental, safety and regulatory compliance issues. As an Internet accessible system, ROMGR enters the market with many advantages: it offers a Aone stop shopping≡ automated system for regulatory compliance that represents a substantial savings over any traditional or currently available means to comply with governmental regulations; it provides this system on the fast developing Internet platform with smart-links to the major information centers for any industry (trade associations, agency web sites, information services, etc.), to provide easy access to relevant information; and most importantly ROMGR acts as an Aon-line consultant≡ that will assist the user in determining regulatory needs, providing the tools necessary to fulfill those needs and complete the proper forms, and where possible, electronically submitting¹ compliance reports to the appropriate regulatory agencies. ROMGR will be designed such that it will be compatible with the major accounting and information management systems. ROMGR will perform regulatory functions by sharing data with the user=s accounting/database systems, while maintaining a companion Internet database of regulatory information and calculations. The ROMGR system will enable users to determine and assess compliance requirements and will provide the tools necessary to establish regulatory compliance. The ROMGR system also includes a digital library that will provide the user with a full complement of regulatory information and research services. In essence, ROMGR will be the fastest easiest and most cost effective way to assess regulatory needs, research ways and means to fulfill those needs and ultimately complete and file the required compliance reports.

The market for ROMGR is vast. To illustrate that point the following discussion will be centered

¹The electronic filing system will be referred to later as the Apipeline≡. This is one of the most exciting concepts, and is a primary barrier to entry for others that might follow. It can be compared to and best understood as a system similar to that being used to electronically file tax returns, but with much more power.

around ROMGR's first Aniche market (U.S. operations of oil and gas production). Of the 8,000 producers of oil and gas in the U.S.A., over 7,400 are considered medium to small independents who typically out-source the functions that ROMGR provides. These 8,000 producers operate approximately 884,000 oil and gas wells, each of which has specific and definite regulatory reporting requirements. ROMGR will generate revenues based on the number of wells that each user operates. ROMGR plans to capture 25% of the market of independent oil and gas producers over the first five years of operation. The capture rate increases at a more rapid pace as the Apipeline for electronic document submission becomes the defacto Aindustry standard. The small to medium operators will be attracted to ROMGR for the cost savings as well as the ease of operation. The larger independent producers, as well as the major oil companies, will use ROMGR for its innovation in data management as well as the access to up-to-date and emerging regulatory information, thereby providing much needed regulatory support in every sector of the industry.

In the Oil and Gas production niche, ROMGR will be marketed aggressively through industry trade associations and association sponsored seminars. Once the world wide oil and gas energy market has been successfully penetrated, ROMGR in Phase II will make inroads into the coal, utility, refining-manufacturing, and all other regulated industries, subject to feasibility studies and profit analysis.

Beyond the need for effective software technology, ROMGR recognizes the need to build a user friendly and industry friendly system that will satisfy the needs of even the least computer/Internet literate user. The interface will be designed to fit the industry, rather than requiring the industry to adapt to the system.

For over 20 years, J. Roger Kelley has managed the environmental and regulatory affairs for various oil and gas exploration and production companies. In his quest for a useful regulatory data management and reporting system, he discovered that many single issue programs were available on the market, but none of them offered the flexibility and utility that he required to manage the information for his clients. Each of the available systems required maintenance of separate data bases of duplicate information. It was his knowledge and understanding of this problem that led Mr. Kelley to the idea for ROMGR as a regulatory, database compliance tool (the phrase AThe Digital Roger has already become somewhat of a company mission). He understands the needs of the industry and has designed the technology of ROMGR to fit those needs.

Comment [COMMENT1]: Energy_Net.com

It is widely recognized that in the changing world of regulatory compliance, most industries find themselves wallowing in a sea of Ared tape. A business to government (b-to-g) model, such as ROMGR, has tremendous potential and has already generated significant excitement from the smallest companies to top government officials. ROMGR is the first entity of this magnitude and format to penetrate this space.

The Product

ROMGR is an Internet accessible system designed to assist companies in managing their environmental, safety and regulatory compliance needs. The system will enable a client to assess the compliance requirements for their particular operations, and once those requirements are determined, it will provide the tools necessary to perform the appropriate regulatory compliance tasks. The information and tools will consist of explanations of the regulations, the actual text of the regulations with annotations explaining their significant requirements, information regarding forms, fees and penalties, agency specific contacts, and prompt driven compliance procedures. The system will ultimately perform the calculations required to complete the regulatory filings and then populate the agency reporting forms with these results (as electronic filing becomes more available/required, ROMGR will be building the Apipeline≡ to make it all happen).

For example, an operator of an oil well desiring to determine the air compliance requirements for a production compressor station would initially log on to the system to find out the regulatory requirements. He would access the Aair module≡ and there enter the facility and equipment specific information, i.e. location, equipment type and specifications (size, horsepower rating, etc.). The system would then respond by providing the user with a list of the applicable regulations for the compressor stations for that particular location and lead the user through a series of questions that will ultimately reveal the regulatory requirements for that facility. From there the operator could access more information and tools, including an interactive procedure for complying with the regulations. The full text of the regulations with explanations would also be available to them. Finally, the user will be asked to enter the necessary data, i.e. equipment specs, facility and site specific data, personnel data, etc. The system in response, would calculate the air emissions associated with this facility and complete the necessary forms and applications for compliance with state and/or federal regulations. These calculations and forms will then be made available in report format to the user for their review, and approval, and electronic submission (the Apipeline≡) to the relevant government agencies. The same routine would follow for the other regulatory statutes that apply.

In summary, ROMGR will be a combination of a full-featured interactive website along with offline data-entry companion software. Once ROMGR has been developed for the Oil and Gas Exploration and Production industry, the same data base system and even the same regulatory and calculation functions can be modified to serve other industries, i.e. coal, electric utilities, the chemical manufacturing industry, the refining industry, and many other industries that are regulated and that require similar compliance activities, reports, etc.

The ROMGR APipeline≡ (or means of electronic compliance submission) that has been mention earlier is already a concept that has created a high level of interest with the state and federal agencies. Until now, the knowledge base and technology has not been assembled properly to facilitate such a vehicle. ROMGR has not only brought together the proper knowledge and technology, but has incorporated close contacts with many of the relevant state and federal agencies that will help to facilitate it=s development.

The creation of the APipeline≡ will do three things: 1) increase market share as it will be the preferred method of compliance to governmental agencies; 2) create a significant barrier to entry for those that follow as it is unlikely that governmental agencies would be interested in supporting or funding a second or third method; and 3) increase overall regulatory compliance by adding yet another feature to the ROMGR core software that would make it even easier and less intrusive to file.

Program Architecture

ROMGR will be designed to provide regulatory compliance support through the previously described interactive process. The user will follow a decision tree analysis type procedure that will walk them through each specific compliance function.

Let's get back to our first niche market and be more specific in order to gain a greater understanding. It will be important to understand that many of the concepts presented in this specific example are homogeneous and can be applied to most industries.

Let us take a look at the example of an oil production company. In order to make the best use of company production information, ROMGR will establish or create Ahot links[≡] (protocols) with programs that provide oil and gas well accounting services, e.g. Excaliber (Prodigy) and Rough Neck, thereby making full use of the existing information in the company data base. These Ahot links[≡] will enable the sharing of existing company information, thereby reducing the data entry function. The successful use of these links or protocols is a significant part of the system's function. Data entry methodology will be discussed at the end of this section.

In addition to the generation of compliance data and reports, the regulatory compliance portion of the program will include contact information for the various state and federal agencies in the form of names, addresses and telephone numbers for these contacts. This function will also include access to the required reporting forms for spills, releases, upset conditions, accidents, etc. Including other compliance reporting forms required by the state and federal agencies, i.e. mechanical integrity reports, discharge monitoring reports for NPDES compliance, sundry notices for BLM/MMS reports, production reports, SARA Title III inventory and release reporting forms, etc. These forms will be populated from either the company's information data base and/or from calculations performed using this information.

Also in this portion of the system, ROMGR will enable the user to access and use industry accepted and government approved calculation routines. One such routine is the Tanks (Chief⁷) program developed by the EPA to calculate air emissions from chemical and hydrocarbon storage tanks. These calculations are accepted by the federal agencies and sanctioned (and in some cases even required) by various state agencies. Another similar calculation routine is the Glycalc⁷ program developed by the Gas Research Institute (GRI). This program calculates hydrocarbon and hazardous air pollutant air emissions (HAP's) from glycol dehydration units that are used to remove excess water from produced natural gas prior to its sale. Each of these programs are currently being distributed on a cost basis. Through negotiations currently underway, each program may be accessed through a multi-user license for incorporation into the ROMGR system.

The ROMGR system will be extremely user friendly, such that even the smallest oil and gas

companies (or any other user) will find it easy to work through and obtain their desired goals without the perceived feelings of outsider intrusiveness (i.e. checking out their Adirty laundry≡) from consultants or other third parties. In addition to the calculation routines, ROMGR will provide Astrawman≡ examples for other routine regulatory documents, e.g. Spill Prevention Control and Countermeasure Plans (SPCC), Oil Spill and Emergency Response Plans for environmentally sensitive areas, applications for permits to drill or explore on Federal leases, SARA Title III Compliance reports, etc. These documents will be designed to include the basic requirements for compliance with these types of regulations, without the inclusion of any extra provisions that might cause the user to incur any unnecessary liability. ROMGR will retain the appropriate legal counsel to manage the risk for this part of the system. Currently Bracewell & Paterson has agreed in principal to be a strategic partner in this capacity, as well as in other functions. ROMGR is waiting for the final sign off on this and is willing to provide information on the progress.

Companion to the regulatory compliance portion of ROMGR is a digital library that will provide Afingertip≡ access to regulatory law, agency regulations based on these laws, guidance documents from agencies and trade associations, as well as online access to other information services. The digital library portion of the program will provide access to information generated by ROMGR as well as other commercially available products. ROMGR will provide links to the web sites of the state and federal agencies. These links will be intelligent links designed to direct the user to the information pertinent to their particular questions. Many of the agency web sites are complicated for the novice user and sometimes even for the veteran user. ROMGR will have a team that will be dedicated to searching these sites and providing these links using an industry friendly search methodology. In addition, this team will remain current on all regulatory as well as policy developments within these agencies and maintain the program library to reflect those changes, and potential updates.

Other information sources that will be provided include many that are currently commercially available through other services. As the premier and only product that provides the Aone-stop shopping≡ service, these providers are anticipated to allow ROMGR to maintain and sell these services on a royalty basis. This same arrangement is available for guidance documents provided by agencies and industry trade associations. For example, documents published by the American Petroleum Institute (API) such as recommended practices, standards, etc., may be sold by ROMGR with a royalty provided to the API for each sale. Publications by the International Standards Organization (ISO) will also be provided. Currently, API and other industry standards are being converted into ISO type standards and made available to the international regulatory community.

ROMGR plans to be able to provide, wherever appropriate and economical, copies of international standards and regulations in foreign and English translations. Of course these products will be developed only to meet specific market needs. The regulations, standards, etc.

will be provided to the users in an Adobe7 type, read-only format.

Another function that will be possible with ROMGR is electronic submission of all regulatory reports (the APipeline≡) wherever such reporting is allowed. ROMGR plans is to obtain DOE and other government source grant monies to assist the states in building the APipeline≡.

Data Entry Technology

ROMGR is forming a relationship with LeoOne. LeoOne supplies data transmission through Low Earth Orbit Satellites (LEO=s). Data transmission to a LEO can occur from any spot in the world. ROMGR proposes to use hand-held, write-ready devices that can be used by oil and gas company lease operators or gaugers to record and input production data (this also has application in other industries). This data input will be transferred directly, after review by an immediate supervisor or other company designee, into ROMGR=s secured data base for that company. These hand held computers will enable the lease operator to make changes in equipment and other facility information if necessary, as well as to provide comments pertinent to the operation of the individual wells and production facilities. Companies that use the ROMGR network will discover tremendous cost savings in the handling of this information. The daily gauge reports will be printed based upon the information that the lease operator inputs. This system will have the capability to calculate oil and gas production given the actual tank gauges, differential pressure readings, etc. in real time. Quality control checks can be employed at whatever level the user desires. The data input, hand-held devices will allow the user to receive production data from any spot on the globe. The same data that is entered using these devices will be routed into the data base that accesses the ROMGR compliance routines, thereby completing the loop on company=s data and regulatory management system.

The Market

The ROMGR market is the entire regulated community. The initial target market for ROMGR is the upstream energy market. According to IPAA statistics, there are approximately 8,000 oil and gas companies of varying sizes in the U.S. alone, all of which represent potential users of the ROMGR system. Of these 8,000 producers, over 7,400 are considered medium to small independents who typically out-source the functions which ROMGR provides. The remainder of this number consists of large independent producers and major oil companies. Within this market, the potential user-operators range from the smaller independent operators that are not currently complying with all of the regulatory requirements out of fear, i.e. fear of the unknown costs and potential consequences of compliance; to the very sophisticated operators that are in need of a tool to manage the enormous volume of regulatory data and reports that are required. These 8,000 producers operate approximately 884,000 oil and gas wells in the United States for which each well has specific regulatory reporting requirements.

The environmental, safety and regulatory needs of this market are twofold. First, there is a clear need for a reduction in regulatory compliance costs. Under the increasingly unstable oil and gas market, producers are constantly looking for ways to reduce overall production costs, of which regulatory compliance is a growing concern. ROMGR presents a more efficient and cost effective way to manage these compliance issues. Based on our experience, a small to mid-sized independent producer (i.e. 100 wells) spends a minimum of approximately \$110,000 per year on outside consultants and in-house personnel to manage its regulatory affairs. In comparison, ROMGR will allow this same company to manage these issues completely in-house for approximately \$88,000 (a 20% reduction in annual costs).

In addition to the cost reductions, there exists a need in the industry to increase the level of environmental, safety and regulatory compliance among its member companies. Increased compliance enhances the industry's position with the public, regulatory, and legislative sectors. The public relations issue is becoming more and more critical under the current market and political environments.

ROMGR will streamline compliance efforts by providing a quick and easy way for producers to determine their regulatory obligations without having an intimate and in-depth understanding of these regulations and how they apply. ROMGR provides an automated system that, combined with the company's existing well accounting systems, will allow the user-operator to generate reports and filings, as well as perform the necessary

engineering calculations. It will, by design serve as an educational tool, and serve to increase the users awareness of the issues.

Briefly, benefits of the system include:

- ⊗ Increased environmental, health and safety awareness through technology
- ⊗ Increased co-operation with the agencies and compliance with the regulations, thereby reducing risk exposure
- ⊗ Reduction in overall compliance cost (time & money)
- ⊗ Improved public perception through pro-active environmental, safety, and regulatory efforts

As a benefit to government, ROMGR will necessarily provide a system that will generate statistical information to the Department of Energy and other interested agencies, regarding the relative effectiveness of certain regulations. This data will provide government with the statistical information to these agencies that will enable them to evaluate trends in reporting, enforcement, compliance, etc. that will allow both government and the industry to evaluate the utility of a regulation or the regulatory process. This style of information transfer will help to level the playing field between these two factions and provide for a more informed working relationship.

The Competition

Several PC based programs have been introduced into the market that will perform a single regulatory compliance function or even a group of functions. However, none of these programs use a common database for maintaining regulatory information; and none are currently offered on the Internet with the Aone stop shopping feature offered by ROMGR . Some of these products do maintain information pertinent to their target regulatory issues, but do not make that same data available for use by other systems. ROMGR will be offered on the Internet and will have an interactive database that will have the capability to retrieve all of the required input data from a

general information database (e.g. you don=t have to enter your name, rank and serial number on every page of every report, etc.)

Our Position in the Market

ROMGR enters the market as a sole source provider of Internet based regulatory consulting services. The Internet has evolved to a point where the general public is comfortable with finding information and making purchases over the web. By offering this service on the Internet, ROMGR exploits the Ae-commerce business to business sales model which offers a product for sale to businesses on the Internet and electronic transmission (APipeline) of that product to the appropriate governmental agency (business to government), while at the same time offering other value added enhancements as to draw users to the site. An Internet provider achieves success by providing a wide selection of services at good prices along with an effortless experience. This success will be realized by delivering higher levels of service through the Internet than users can currently get from a consultant (in person), but at a reduced cost and with other enhancements. ROMGR can provide valuable services inexpensively and at a more comfortable level. Many of the smaller to medium size companies have a fear of the potential (unknown) costs and liabilities involved in getting an outside consultant involved in their regulatory affairs. ROMGR provides a very controllable method, from the standpoint of both cost and liability, and of researching and evaluating regulatory needs.

ROMGR will serve as an industry magnet site by providing links to other products, services, government agencies, etc. Partnerships and alliances will be created with other non-competitive providers of information and services to establish the critical mass needed to become an industry magnet. ROMGR will use a dedicated search engine, tied in with other search engines of other web sites through smart-links, to help the user to find the information and services. In order to provide users with value added information and assistance, ROMGR will provide answers to frequently asked questions for each module or category. ROMGR will use all of these information resources to attract clients and to generate new sources of revenue, such as advertising or sales of complementary products/services. The anticipated result of providing value added information on the ROMGR web site will be to consolidate parts of the value chain. In this way, ROMGR will reduce costs for clients by reducing the number of entities they have to deal with in the value chain, thereby making the entire site more attractive to advertisers, and user friendly to clients.

How ROMGR Will Capture Market Share In Its First Niche Market (Oil Production)

ROMGR plans to capture at least 25% of the market over a five year period. The capture rate will increase at a more rapid pace as the API Pipeline for document submission becomes the defacto industry standard. ROMGR revenues will be based mainly on client usage, which is in turn driven by well count. The primary market for ROMGR in this niche is the smaller producer (average 100 wells). This segment represents more than 85% of the wells in the United States..

The client/user will pay an initial site licencing fee (\$2,500.00) plus a price per well per month (see revenue model).

Other sources of revenues considered but not included in the revenue analysis include income from advertising, and the sales of documents and regulatory materials on the infobase. The list of oil and gas company service providers is vast and the exposure offered by ROMGR will be sufficient to command a premium for advertising space.

The main avenue of contact to the oil and gas industry will be through the oil and gas industry trade associations, both at the state and the national level. Presentations at regularly scheduled trade association meetings as well as jointly sponsored trade association seminars will be common. The Petroleum Technology Transfer Council (PTTC) which operates under funding from the U.S. Department of Energy (DOE) and the functional support of the Independent Petroleum Association of America (IPAA), is aware of ROMGR and is prepared to support it with jointly sponsored technical seminars across the country as it has heretofore conducted with other petroleum technologies. The mission of the PTTC is to disseminate innovative technology to the petroleum industry for the purpose of the advancement of the energy industry in the United States. ROMGR will, by design, encourage and enhance compliance with all of the regulations that apply to the exploration and production of oil and gas and will therefore entice the PTTC to support the ROMGR system. ROMGR is scheduled to present further information to the Board of Directors of the PTTC in July, 2000.

Other state and national oil and gas trade associations will provide similar support through endorsements and promotion. The Texas Independent Producers and Royalty Owners Association (TIPRO) has expressed an interest in ROMGR and has in the past sponsored seminars with Kelley Engineering (Roger Kelley is CEO of ROMGR) as a means of providing information to their members and to help build membership. Other potential sponsoring organizations include the Gas Research Institute (GRI) and the Interstate Oil and Gas Compact Commission (IOGCC). ROMGR will use and endorse products that these entities have sponsored and developed, e.g. engineering calculation applications and information databases.

Key Players

The Staff

The secret to the success of ROMGR will be its utility to the client/user. To insure this utility, ROMGR will seek to hire professionals that are familiar with all phases of the operations in their respective industries. They should, of course have expertise in their particular area of focus, i.e. marketing, regulatory, information systems, management, etc.

CEO - J. Roger Kelly
CFO - Lane M. Moesser

The Board

W. Marvin Watson - Megahealth
Loren Carroll - Smith Industries, Inc.
Michael Cantrell - OBEC Oil Company
Jim Jones - Former President: American Stock Exchange / Former Ambassador to Mexico / Attorney
J. Roger Kelley - KEI

EXHIBIT 13

Regulatory Online Manager News

www.romgr.com

Volume 00-01 July 8, 2000

Evolution is Good

ROMGR is in exciting times. Significant milestones have been reached and we are well underway. We still have a number of issues to address and are actively seeking solutions. Our primary concern is securing an initial financial partner. We have made nothing short of miraculous progress having expended very little cash, however the time has come to secure a first round of financing. ROMGR is now prepared to look to it's Board of Directors for assistance in this effort, please read on and see what we are up to, and why it is important.

Who are we becoming?

ROMGR will be the fastest, easiest and most cost effective way for businesses to comply with governmental regulatory requirements (in most industries and in most countries).

Virtually all industries are regulated in some form by either a governmental agency or a self regulating industry body (or both). In most cases it is an arduous task to understand, remain up-to-date, and in compliance with all the "Red Tape" (with or without outside help). Especially for small to medium sized companies that don't have the resources to absorb the unknown and costly expenses of consultants/attorneys. It is this very problem that lead Roger Kelly (CEO of ROMGR) to assemble a team to target a particular market niche (Oil and Gas Production) and create an Internet based "Red Tape" solution that could also be replicated to fit most industries. Roger is unique as a Environmental Engineer who has worked and consulted in the Oil and Gas industry from all regulatory points of view, from regulator to industry expert consultant. He intensely understands the mountain of red tape that exists, and

more importantly understands how to get it under control. ROMGR's proprietary Internet based system (we like to call "The Digital Roger") is the only known solution that meets all of our client servicing objectives.

Roger and his team are continually accessing the ability of ROMGR to leverage it's base model and technology to capture the "Red Tape Market" in all industries.

Recent Accomplishments

ROMGR has in the last few weeks executed on several fronts:

1) There has been an agreement struck with the law firm Bracewell and Patterson to become a strategic partner in expending resources with many of the legal issues facing ROMGR. Including the patenting of the intellectual property (which is well underway) as well as corporate legal support such as the organization of ROMGR into a Delaware Corporation and addressing issues relating to company's capital structure. Bracewell has also committed to address all "environmental legal" issues as they relate to regulatory compliance.

2) The business plan has been through several iterations and now reflects ROMGR's vision of capturing the global "Red Tape Market" (with the initial target niche being the upstream energy market).

3) ROMGR is pleased to announce that Lane Moesser formerly with MAXXAM Inc. (a global leader in several highly regulated industries and respected leader on Wall Street as one of the most innovative financiers) has come on board as our Interim CFO and is working with Roger on all levels strategic planning and development.

4) ROMGR has secured it's URL (romgr.com) and has begun construction of it's web site that will initially double as an informational tool to other potential strategic partners.

5) OES, a division of EOG resources continues to be interested in ROMGR as a strategic partner and is looking for the company to bring on board and few more key personnel before they commit second round financing dollars as well as technical and industry resources.

Looking Ahead

Funding is our number one priority. Non-the-less we are continuing to progress on all other fronts.

ROMGR has received significant interest from the DOE (Department of Energy) to many of the related trade associations on down to respected industry consultants and end users. We understand the value of what is now ROMGR and the long standing void it fills in the market place. We also understand the many barriers and reasons the void has not been filled thus far. It is now a matter of choosing "the right fit" financial partner to complete the loop.

Within the next few weeks the patient work will be completed and filed (understanding that we intend to have an entire portfolio of related patients that serve in strengthening our hold on the market). We also plan completion of the demonstration website within the next three weeks as we finish assembling the necessary information for the final screen views.

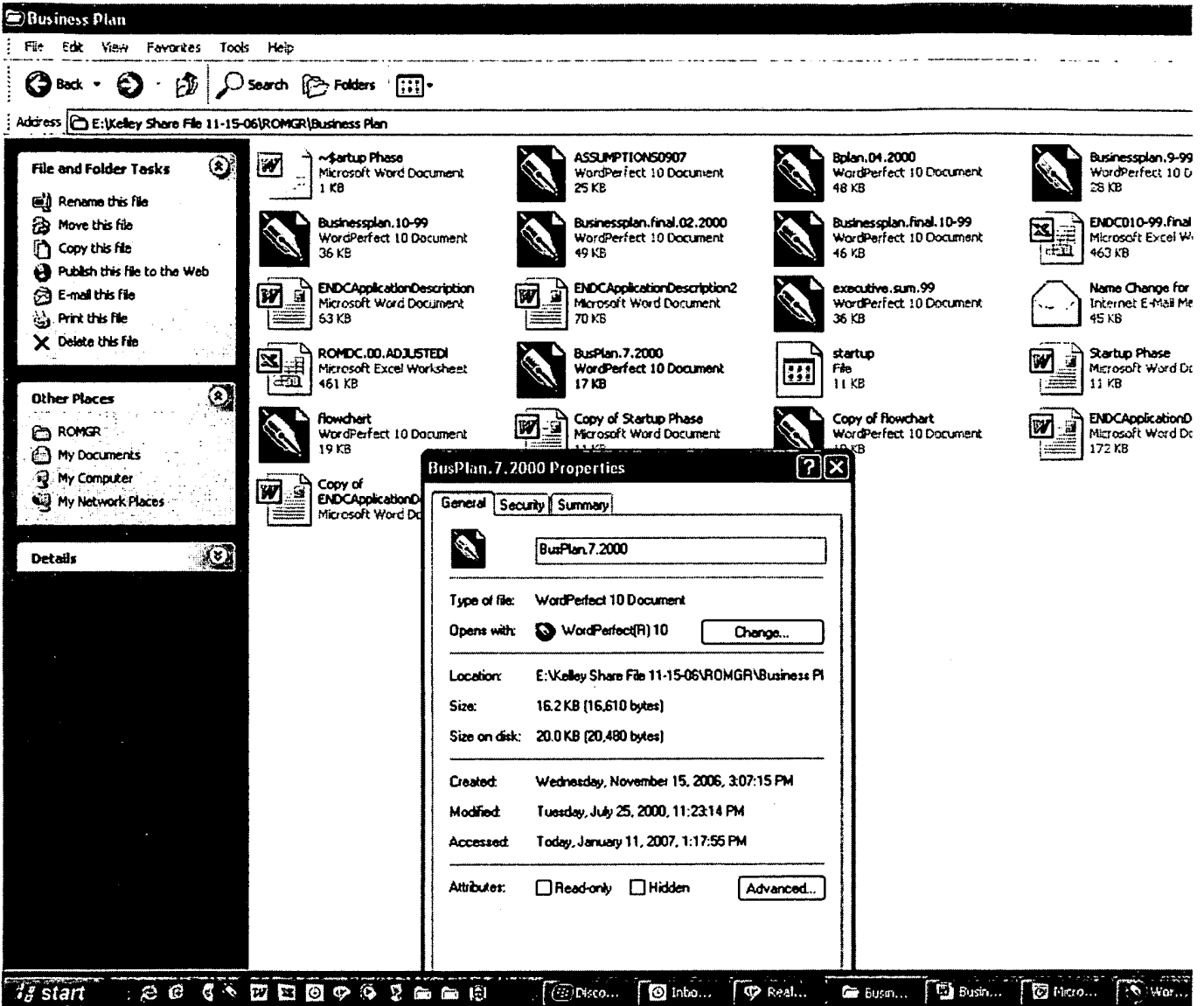
The revenue projections for the initial niche market (Oil and Gas Production) have been constructed for the first five years of operations (those alone are impressive and more importantly they are defensible). In the next three weeks we will have layered on revenues for the other markets we plan to penetrate within the first five years, and have a more complete picture of ROMGR's value.

The actual program technology is broken into several modules. The first and most difficult of the modules has been totally documented and is ready for a programmer to write code. The other modules are in process and will be at that same stage within 5 to 6 weeks.

We are in negotiations with several software companies that have all expressed interest in partnerships that would place large portions of their development costs at risk in exchange for equity positions. The demonstration website that is being constructed in-house provides a jump on the programming time line that has been estimated to be between 4 and 6 months. However, it will take initial funding to start that process. We are also exploring the possibility of writing a portion of the code in-house as to further speed up that process.

Thank you for being on board and we look forward to more frequent communications in both directions as we seek your guidance down this exciting path.

EXHIBIT 14



Regulatory Online Manager: Business Plan Outline

1. Executive Summary

Purpose of this plan (amount of funding, uses)

- Catch their attention
- Answer key questions
- Entice readers to read further

2. Customer Need and Business Opportunity

- What is the startup going to build and how?
- Why would a customer want it?
- How well will it perform?
- Product technology
- Marketing strategy discussions.
- Start building unfair advantage argument

3) Business Strategy and Key Milestone

- Plan to outmaneuver the competition
- Show each milestone with cumulative headcount and cash needs

4) Marketing Plan

- Basic need and company solution
- Ideal customer and value proposition
- Market segmentation and size of markets
- Channels of distribution
- Strategic partners
- Business model, branding plan
- Sales strategy and plans

- Customer support
- Five year sales forecast
- Competition, positioning and unfair advantage

5) Operations Plan

- Engineering plan
- Website plan
- Manufacturing / outsourcing plan

● Facilities and administration plan

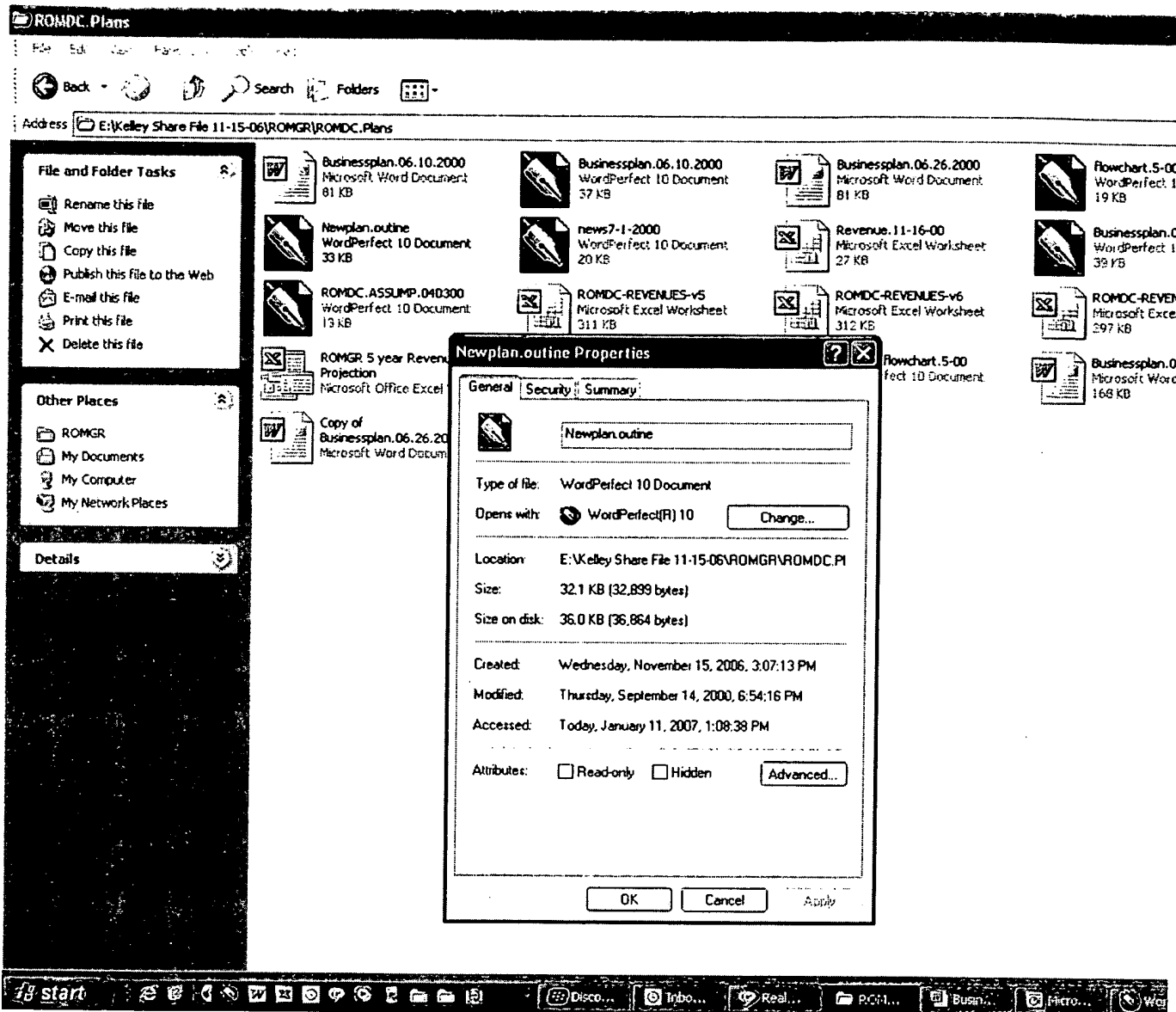
6) Management and Key Personnel

- Organization
- Staffing and head count projection
- Detailed resumes of leadership
- Incentive compensation program
- Company culture plan

7) Financial Projections

- Overview and key assumptions
- Five year forecasts
- Income statement
- Balance sheet
- Cash flow statement

EXHIBIT 15



Purpose of this plan (amount of funding, uses)

- A. Catch their attention
- B. Answer key questions
- C. Entice readers to read further

II. Customer Need and Business Opportunity

A. What is the startup going to build and how?

- Describe the current way of doing business, e.g. lawyers, regulatory consultants, in-house staff
- How ROMGR will automate that system and enhance economics, help redirect focus and enhance compliance, thereby reducing risk.
-

B. Product service and technology description

- Description of overall product
- How will it fit into the current market

C. End Users and Customers

- Oil and gas producers/ operators
- Government regulatory agencies
- Regulatory consultants
- Law firms

D. Why would a customer want it?

- Automated system
- Saves time and money

- Reduced risk
- Enhanced technology
- Less intimidating than consultants, lawyers, regulatory agencies, etc.

E. How well will it perform?

- Must be extremely user friendly, e.g Quicken®, TurboTax®, etc.
- Instant information
- Communicates with existing information data bases in company system
- Automatic
- Built in compliance calendar

F. Product technology?

- Business -to-Government model
- Central data base design

G. Marketing strategy decisions?

- Market the energy industry with an initial emphasis on the upstream (oil and gas exploration and production) sector
-

H. Start building unfair advantage argument.

III. Business Strategy and Key Milestones

A. Plan to outmaneuver the competition.

- Be the first in the market to develop the Internet based system
- Build a pipeline between industry and government that will be somewhat exclusive, especially in the early years and months of the company. From then, the product will be superior, having tested the market and having the expertise on board.
-

B. Show each milestone with cumulative headcount and cash needs.

- Insert chart that depicts:
 - 1) The plan/schedule to enter each market,
 - 2) The scheduled generation of revenue from each market
 - 3) The addition of personnel for each market team
 - 4)

IV. Marketing Plan

A. Basic need and company solution.

- The company needs to reach the independent oil and gas producers and operators as well as the majors
- Use the trade associations, IPAA, TIPRO, OIPA, IPAMS, COGA, NTOGA, PTTC, etc., to get the message out. This is the major network available.
-

B. Ideal customer and value proposition.

- The ideal customer is the independent oil and gas producer that does not have a regulatory professional on board and needs this assistance
- We will offer this customer these services at a discounted rate from what an employee or a consultant would cost for the same job. We will present a system that will allow the client to get the same job done using a trained production clerk or secretary

C. Market segmentation and size of markets

- Enter into this section the discussion about the demographics of the industry

D. Channels of distribution.

- The product will be marketed through:
 - 1) Internet direct sales

- 2) Trade association sponsored seminars
 - 3) Company generated seminars
 - 4) In-house seminars as requested by clients
- E. Strategic partners
- Software firm
 - Industry trade associations
 - Government agencies
- F. Business model, branding plan
- ROMGR.COM will be the first entity of its type to reach the market. We will become a brand name in the business by virtue of our:
 - 1) Position in the market, and
 - 2) Utility of the product in every market that we enter by choosing the right people to design the technology. People who understand the operations of the business of the target market.
- G. Customer support
- Provide a help line for the program
 - Provide regulatory technical backup via real person contact over the telephone and even on-site support on a fee basis.
- H. Sales strategy and plans
- Explain how the revenues will be generated, with assumptions in the revenue model.
 - Plans to enter each state on a scheduled basis
- I. Five year sales forecast

- Give revenue projections in a tabular format

J. Competition, positioning and unfair advantage

- Explain the types of software now available. Talk about searches on YAHOO, GOTO, etc. and the types of sites located.

V. Operations Plan

A. Engineering plan

- Explain how the system will be set up with regard to the automation, if not already done.

B. Website plan

- This product will be a web-site.
- Will be linked, through "hot-links" to other relevant and critical sites.

C. Manufacturing / outsourcing plan

- Use outside contractor to write software and design program
- Use provider to provide and maintain servers

D. Facilities and administration plan

- Here will the company be located?
- How will it be run/administered?
-

VI. Management and Key Personnel

A. Organization

- CEO= J. Roger Kelley
- VP's of each segment with directors under each VP for the regulatory topics
- Etc.

B. Staffing and head count projections

- List CEO and number of people required at each milestone giving the amount of people at any point in time.

-

C. Detailed resumes of leadership

- Enter my resume
- Create resume or job descriptions of other individuals

-

D. Incentive compensation program

- Present copy of employee stock option program.

-

E. Company culture plan

VII. Financial Projections

A. Overview and key assumptions

- Five year plan for the energy market
- Assumptions from spread sheet

B. Five year forecasts

C. Income statement

D. Balance sheet

E. Cash flow statement

EXHIBIT 16

19 Sept, 2001

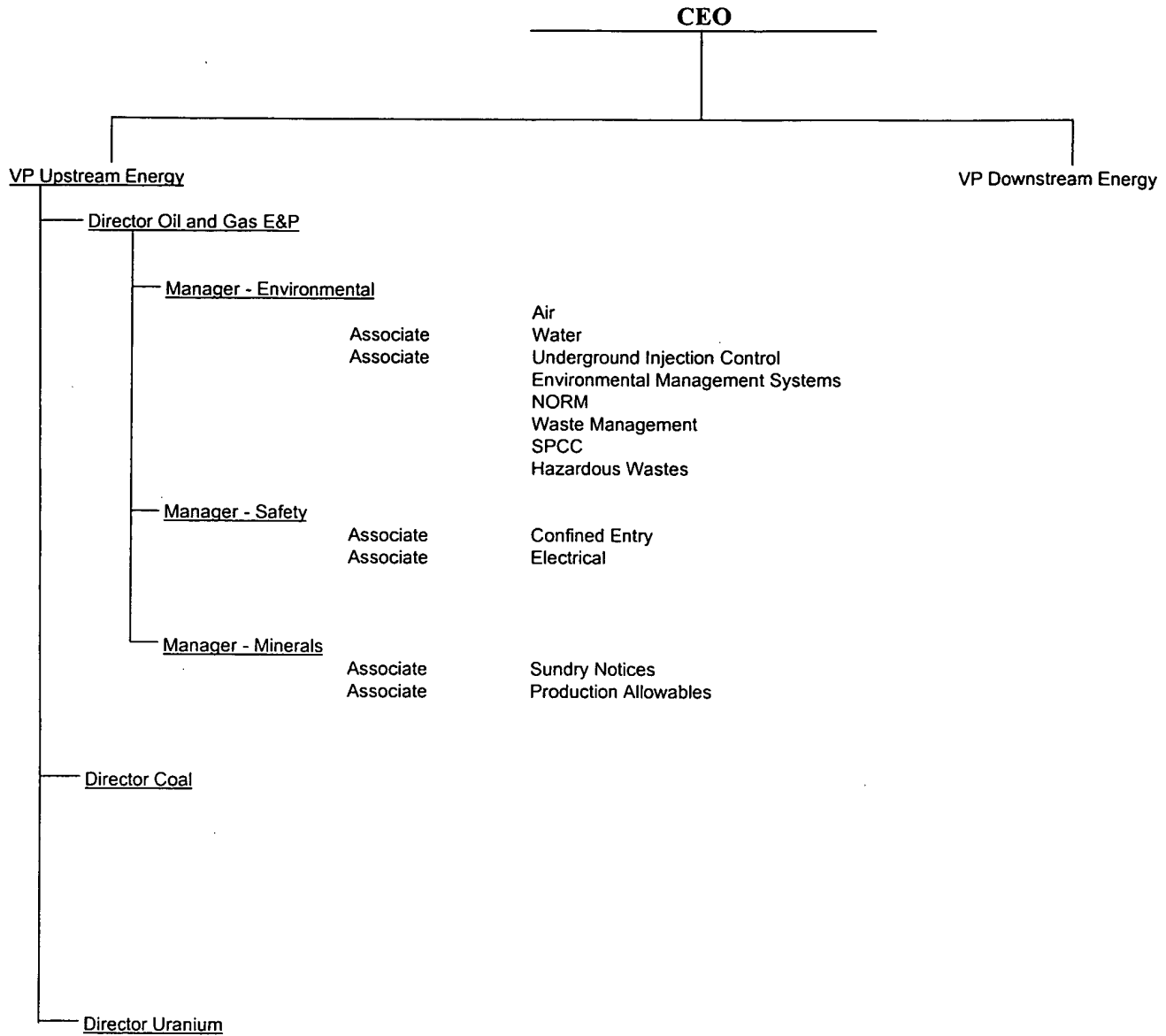
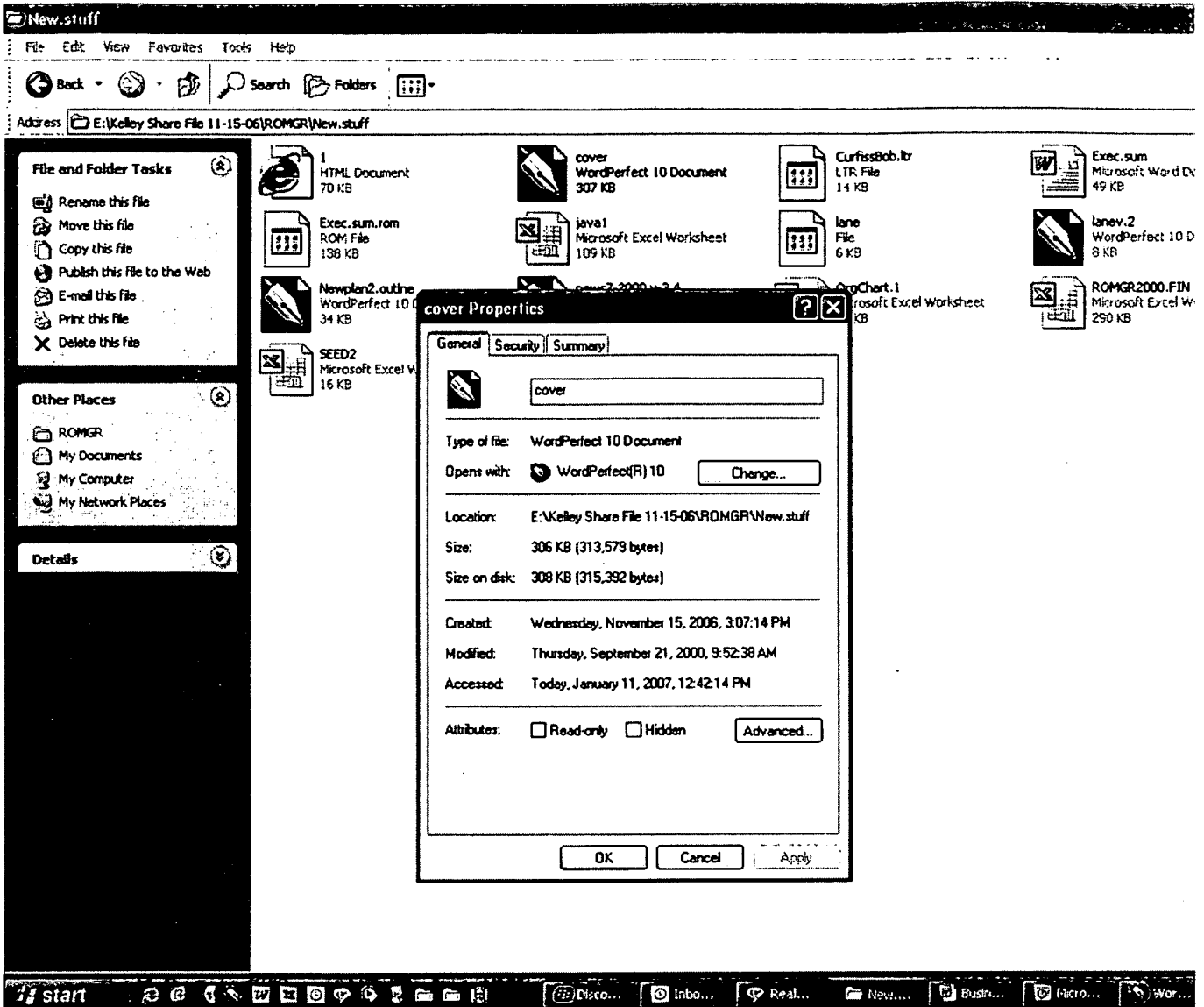
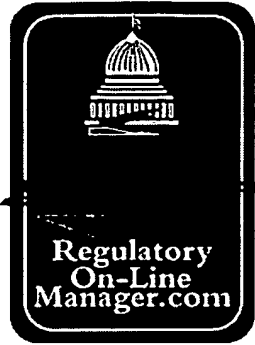


EXHIBIT 17

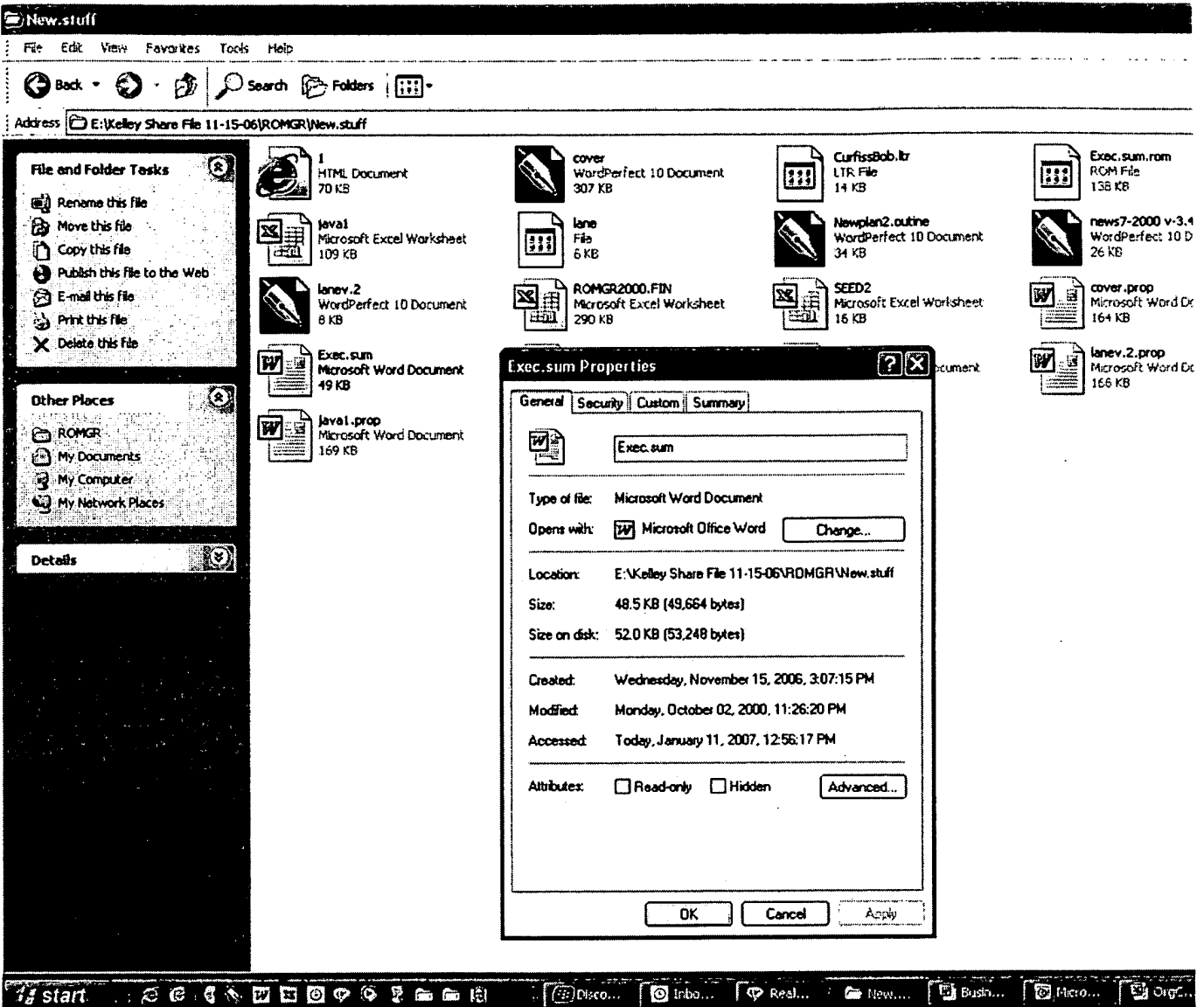




Business Plan 2000

J. Roger Kelley

September 21, 2000





Business Plan 2000

EXECUTIVE SUMMARY

J. Roger Kelley

September 21, 2000

Regulatory Online Manager (ROM) was born out of a recognized need in the marketplace. ROM is an Internet accessible information management system designed to assist most industries worldwide in managing environmental, safety and regulatory compliance issues. As an Internet accessible system, ROM enters the market with many advantages: it offers a one stop shopping automated system for regulatory compliance that represents a substantial savings over any traditional or currently available means to comply with governmental regulations; it provides this system on the fast developing Internet platform with smart-links to the major information centers for any industry (trade associations, agency web sites, information services, etc.), to provide easy access to relevant information; and most importantly ROM acts as an on-line consultant that will assist the user in determining regulatory needs, providing the tools necessary to fulfill those needs and complete the proper forms, and where possible, electronically submitting compliance reports to the appropriate regulatory agencies. ROM will be designed such that it will be compatible with the major accounting and information management systems. ROM will perform regulatory functions by sharing data with the user's accounting/database systems, while maintaining a companion Internet database of regulatory information and calculations. The ROM system will enable users to determine and assess compliance requirements and will provide the tools necessary to establish regulatory compliance. The ROM system also includes a digital library that will provide the user with a full complement of regulatory information and research services. In essence, ROM will be the fastest easiest and most cost effective way to assess regulatory needs, research ways and means to fulfill those needs and ultimately complete and file the required compliance reports.

ROM's revenue model is based upon the sale of these services through the Internet. ROM will charge an initial license fee to subscribers, for which it will provide initial operations training along with companion training materials (manuals) and a database system that will link with the ROM system. ROM will then charge subscribers a monthly fee based upon the number of wells that the client operates. This subscription fee has been defined, based upon actual industry expenditures¹ on regulatory matters. The billing model is divided into three tiers, to allow for economies of scale for the few large operators. Multiple site licenses will be sold to larger companies that have multiple centers of operation.

ROM has designed its business model and Internet system to achieve the highest levels of penetration into the market by developing the Business-to-Government (B2G) e-commerce pipeline to the government agencies. ROM has secured board members and other contacts that will greatly enhance this opportunity at the private as well as at government levels of contact. By being first into the market and providing the pipeline, ROM will be able to achieve the projected market share plus more. ROM will provide links into other regulatory databases to create the one-stop-shop for all of the basic regulatory needs.

In addition to the revenues from Internet sales, ROM expects to generate income from advertising on its increasingly popular web site. This site will be a magnet site for the regulated community as a clearinghouse for regulatory information, and as such will achieve high demand as an advertising medium, although the revenues from this source have not been included in the revenue model. ROM also expects some revenues from offline consulting for those client/users that are not able to solve all of their regulatory needs on-line. These services may range from assistance in data entry and decision making to on-site consulting and agency interaction for those more complicated problems that cannot be solved through standard channels.

In the Oil and Gas production upstream market niche, ROM will be marketed aggressively through industry trade associations and association sponsored seminars. Once the world wide oil and gas energy market has been successfully penetrated, ROM in Phase II will make inroads into the coal, utility, refining/manufacturing, and all other regulated industries, subject to feasibility studies and profit analysis. Beyond the need for effective software technology, ROM recognizes the need to build a user friendly and industry friendly system that will satisfy the needs of even the least computer/Internet literate user. The interface will be designed to fit the industry, rather than requiring the industry to adapt to the system.

¹ API - Petroleum Industry Environmental Performance Report, Sixth Annual Report

ROM has secured the services of Bracewell &Patterson (BP) LLP who are preparing the patent application as well as providing regulatory and corporate legal work on an equity/deferred billing basis. BP is ROM=s startup law firm. ROM has also conferred with two potential strategic technical partners, Xennax and Tenfold Corporation, to assist with the software development on a shared equity basis. ROM is seeking \$1.0 M in seed capitol to begin the software and system development, and to launch the marketing program. Upon receipt of this funding, ROM will \$10 M in funding to carry the venture through first revenues and development of the energy market. ROM will ultimately seek public funding through an IPO within the first five years to provide the capital necesary to expand to the international market as well as the other targeted regulated industries.



EXHIBIT 18

ROMDC.Plans

File Edit View Favorites Tools Help

Back Search Folders

Address E:\Kelley Share File 11-15-06\ROMGR\ROMDC.Plans

File and Folder Tasks

- Rename this file
- Move this file
- Copy this file
- Publish this file to the Web
- E-mail this file
- Print this file
- Delete this file

Other Places

- ROMGR
- My Documents
- My Computer
- My Network Places

Details

Businessplan.06.10.2000
Microsoft Word Document
81 KB

Newplan.outline
WordPerfect 10 Document
33 KB

ROMDC.ASSUMP.040300
WordPerfect 10 Document
13 KB

seed.cap
Microsoft Excel Worksheet
15 KB

Copy of Newplan.outline
WordPerfect 10 Document
33 KB

ROMDC-REVENUES-v11
Microsoft Excel Worksheet
297 KB

Flowchart.prop
Microsoft Word Document
170 KB

Businessplan.06.10.2000
WordPerfect 10 Document
37 KB

news7-1-2000
WordPerfect 10 Document
20 KB

ROMDC-REVENUES-v5
Microsoft Excel Worksheet
311 KB

Copy of Flowchart.5-00
WordPerfect 10 Document
19 KB

Businessplan.06.26.2000
Microsoft Word Document
81 KB

Revenue.11-16-00
Microsoft Excel Worksheet
27 KB

ROMDC-REVENUES-v6
Microsoft Excel Worksheet
312 KB

Businessplan.06.26.2000.prop
Microsoft Word Document
168 KB

flowchart.5-00
WordPerfect 10 D
19 KB

Businessplan.06.2
WordPerfect 10 D
39 KB

ROMGR 5 year Re
Projection
Microsoft Office E

Copy of
Businessplan.06.2
Microsoft Word Dc

news.prop
Microsoft Word Dc
176 KB

Businessplan.7.20
Microsoft Word Dc
168 KB

ROMDC-REVENUES-v11 Properties

General Security Custom Summary

Type of file: Microsoft Excel Worksheet

Opens with: Microsoft Office Excel

Location: E:\Kelley Share File 11-15-06\ROMGR\ROMDC.P

Size: 297 KB (304,128 bytes)

Size on disk: 300 KB (307,200 bytes)

Created: Wednesday, November 15, 2006, 3:07:13 PM

Modified: Tuesday, November 07, 2000, 11:03:28 PM

Accessed: Today, January 11, 2007, 1:43:56 PM

Attributes: ☐ Read-only ☐ Hidden

Advanced...

OK Cancel Apply

start

Disco... Info... Real... ROM... 2 M... Micro... Micro...

REGULATORY ONLINE MANAGEMENT
STATEMENT OF REVENUES
Five Year Projections (Core Business)

(in thousands of dollars)

	YEAR				
	One	Two	Three	Four	Five
REVENUES (Core Business)					
Licensing/Access Fees	955	955	955	955	955
Regulatory Research	#REF!	#REF!	#REF!	#REF!	#REF!
Regulatory Reporting - (Oil & Gas Wells)					
SPCC Plans	469	1,334	2,200	3,065	3,930
SARA Title III	275	783	1,291	1,799	2,307
Air Issues.....	3,204	9,118	15,033	20,948	26,863
NPDES Water Discharge	39	111	182	254	326
Underground Injection Control	821	2,337	3,853	5,369	6,885
Production Reporting	1,538	4,376	7,215	10,054	12,892
Waste Issues	316	898	1,481	2,064	2,646
Safety Reporting	785	2,235	3,685	5,134	6,584
Training	157	448	738	1,029	1,319
Total Regulatory Reporting - (Oil & Gas Wells)	7,604	21,641	35,679	49,716	63,754
TOTAL REVENUES (Core Business)	#REF!	#REF!	#REF!	#REF!	#REF!

(in thousands of dollars)

TOTAL REVENUES (Core Business)

(in thousands of dollars)

TOTAL REVENUES (Core Business)

(in thousands of dollars)

TOTAL REVENUES (Core Business)

Year Four Monthly Projections (Core Business)

TOTAL[illegible]

(in thousands of dollars)

TOTAL REVENUES (Core Business)

TOTAL	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
TIERED - REVENUES (Core Business)												
Licensing/Access Fees:												
TIER (One)	920	77	77	77	77	77	77	77	77	77	77	77
TIER (Two)	35	3	3	3	3	3	3	3	3	3	3	3
TIER (Three)	1	0	0	0	0	0	0	0	0	0	0	0
Total Licensing/Access Fees	955	80	80	80	80	80	80	80	80	80	80	80
Regulatory Research:												
TIER (One)	751	10	19	29	39	48	58	67	77	87	96	106
TIER (Two)	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
TIER (Three)	0	0	0	0	0	0	0	0	0	0	0	0
Total Regulatory Research	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Regulatory Reporting - (Oil & Gas Wells):												
TIER (One)												
SPPC Plans	459	6	12	18	24	29	35	41	47	53	59	65
SARA Title III	270	3	7	10	14	17	21	24	28	31	35	38
Air Issues.....	3,200	41	82	123	164	205	246	287	328	369	410	451
NPDES Water Discharge	38	0	1	1	2	2	3	3	4	4	5	5
Underground Injection Control	804	10	21	31	41	52	62	72	82	93	103	113
Production Reporting	1,524	20	39	59	78	98	117	137	156	176	195	215
Waste Issues	309	4	8	12	16	20	24	28	32	36	40	44
Safety Reporting	758	10	19	29	39	49	58	68	78	87	97	107
Training	151	2	4	6	8	10	12	14	15	17	19	21
TOTAL - TIER (One)	7,513	96	193	289	385	482	578	674	771	867	963	1,060
TIER (Two)												
SPPC Plans	9	0	0	0	0	1	1	1	1	1	1	1
SARA Title III	5	0	0	0	0	0	0	0	0	0	0	0
Air Issues.....	1	0	0	0	0	0	0	0	0	0	0	0
NPDES Water Discharge	1	0	0	0	0	0	0	0	0	0	0	0
Underground Injection Control	17	0	0	1	1	1	1	2	2	2	2	2
Production Reporting	13	0	0	1	1	1	1	1	1	1	1	1
Waste Issues	7	0	0	0	0	0	0	1	1	1	1	1
Safety Reporting	26	0	1	1	1	2	2	2	3	3	4	4
Training	7	0	0	0	0	0	1	1	1	1	1	1
TOTAL - TIER (Two)	85	1	2	3	4	5	7	8	9	10	11	12
TIER (Three)												
SPPC Plans	0	0	0	0	0	0	0	0	0	0	0	0
SARA Title III	0	0	0	0	0	0	0	0	0	0	0	0
Air Issues.....	2	0	0	0	0	0	0	0	0	0	0	0
NPDES Water Discharge	0	0	0	0	0	0	0	0	0	0	0	0
Underground Injection Control	1	0	0	0	0	0	0	0	0	0	0	0
Production Reporting	1	0	0	0	0	0	0	0	0	0	0	0
Waste Issues	1	0	0	0	0	0	0	0	0	0	0	0
Safety Reporting	1	0	0	0	0	0	0	0	0	0	0	0
Training	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL - TIER (Three)	5	0	0	0	0	0	0	0	0	0	0	0
Total Regulatory Reporting - (Oil & Gas Wells)	7,604	97	195	292	390	487	585	682	780	877	975	1,072
TOTAL REVENUES (Core Business)												

	TOTAL Year Two	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
TIERED - REVENUES (Core Business)													
Licensing/Access Fees:													
TIER (One)	920	77	77	77	77	77	77	77	77	77	77	77	77
TIER (Two)	35	3	3	3	3	3	3	3	3	3	3	3	3
TIER (Three)	1	0	0	0	0	0	0	0	0	0	0	0	0
Total Licensing/Access Fees	955	80	80	80	80	80	80	80	80	80	80	80	80
Regulatory Research:													
TIER (One)	2,138	125	135	144	154	164	173	183	193	202	212	221	231
TIER (Two)	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
TIER (Three)	21	0	0	1	1	1	2	2	2	3	3	3	3
Total Regulatory Research	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Regulatory Reporting - (Oil & Gas Wells):													
TIER (One)													
SPPC Plans	1,307	77	82	88	94	100	106	112	118	124	130	135	141
SARA Title III	769	45	49	52	55	59	62	66	69	73	76	80	83
Air Issues.....	9,109	533	574	615	657	698	739	780	821	862	903	944	985
NPDES Water Discharge	109	6	7	7	8	8	9	9	10	10	11	11	12
Underground Injection Control	2,287	134	144	155	165	175	185	196	206	216	227	237	247
Production Reporting	4,337	254	273	293	313	332	352	371	391	410	430	449	469
Waste Issues	878	51	55	59	63	67	71	75	79	83	87	91	95
Safety Reporting	2,158	126	136	146	156	165	175	185	194	204	214	224	233
Training	429	25	27	29	31	33	35	37	39	41	43	44	46
TOTAL - TIER (One)	21,384	1,252	1,349	1,445	1,541	1,638	1,734	1,830	1,926	2,023	2,119	2,215	2,312
TIER (Two)													
SPPC Plans	26	2	2	2	2	2	2	2	2	2	3	3	3
SARA Title III	14	1	1	1	1	1	1	1	1	1	1	1	1
Air Issues.....	3	0	0	0	0	0	0	0	0	0	0	0	0
NPDES Water Discharge	2	0	0	0	0	0	0	0	0	0	0	0	0
Underground Injection Control	48	3	3	3	3	4	4	4	4	5	5	5	5
Production Reporting	37	2	2	3	3	3	3	3	3	4	4	4	4
Waste Issues	19	1	1	1	1	1	2	2	2	2	2	2	2
Safety Reporting	75	4	5	5	5	6	6	6	7	7	7	8	8
Training	19	1	1	1	1	1	2	2	2	2	2	2	2
TOTAL - TIER (Two)	243	14	15	16	18	19	20	21	22	23	24	25	25
TIER (Three)													
SPPC Plans	1	0	0	0	0	0	0	0	0	0	0	0	0
SARA Title III	0	0	0	0	0	0	0	0	0	0	0	0	0
Air Issues.....	6	0	0	0	0	0	0	1	1	1	1	1	1
NPDES Water Discharge	0	0	0	0	0	0	0	0	0	0	0	0	0
Underground Injection Control	1	0	0	0	0	0	0	0	0	0	0	0	0
Production Reporting	2	0	0	0	0	0	0	0	0	0	0	0	0
Waste Issues	1	0	0	0	0	0	0	0	0	0	0	0	0
Safety Reporting	2	0	0	0	0	0	0	0	0	0	0	0	0
Training	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL - TIER (Three)	14	1	1	1	1	1	1	1	1	1	1	1	2
Total Regulatory Reporting - (Oil & Gas Wells)													
	21,641	1,267	1,3										

TOTAL												
TOTAL Year Three	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
TIERED - REVENUES (Core Business)												
Licensing/Access Fees:												
TIER (One)	77	77	77	77	77	77	77	77	77	77	77	77
TIER (Two)	3	3	3	3	3	3	3	3	3	3	3	3
TIER (Three)	0	0	0	0	0	0	0	0	0	0	0	0
Total Licensing/Access Fees	80	80	80	80	80	80	80	80	80	80	80	80
Regulatory Research:												
TIER (One)	241	250	260	270	279	289	299	308	318	327	337	347
TIER (Two)	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
TIER (Three)	141	142	142	142	143	143	143	143	144	144	144	144
Total Regulatory Research	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Regulatory Reporting - (Oil & Gas Wells):												
TIER (One)												
SPCC Plans	147	153	159	165	171	177	183	188	194	200	206	212
SARA Title III	87	90	94	97	100	104	107	111	114	118	121	125
Air Issues.....	1,026	1,067	1,108	1,149	1,190	1,231	1,272	1,313	1,354	1,395	1,436	1,477
NPDES Water Discharge	180	13	13	14	14	15	15	16	16	17	17	18
Underground Injection Control	3,771	268	278	289	299	309	319	330	340	350	361	371
Production Reporting	7,150	488	508	547	567	586	606	625	645	664	684	703
Waste Issues	1,448	103	107	111	115	123	123	127	131	135	138	142
Safety Reporting	3,558	243	253	262	282	292	301	311	321	331	340	350
Training	707	50	52	54	56	58	60	62	64	66	68	70
TOTAL - TIER (One)	35,255	2,504	2,601	2,697	2,793	2,890	2,986	3,082	3,179	3,275	3,371	3,468
TIER (Two)												
SPCC Plans	43	3	3	3	3	4	4	4	4	4	4	4
SARA Title III	22	2	2	2	2	2	2	2	2	2	2	2
Air Issues.....	6	0	0	0	0	0	0	0	1	1	1	1
NPDES Water Discharge	3	0	0	0	0	0	0	0	0	0	0	0
Underground Injection Control	80	5	6	6	6	7	7	7	7	7	8	8
Production Reporting	61	4	4	5	5	5	5	5	6	6	6	6
Waste Issues	32	2	2	2	3	3	3	3	3	3	3	3
Safety Reporting	123	8	9	9	10	10	10	11	11	11	12	13
Training	31	2	2	2	2	3	3	3	3	3	3	3
TOTAL - TIER (Two)	401	28	30	31	32	33	34	35	36	37	38	38
TIER (Three)												
SPCC Plans	1	0	0	0	0	0	0	0	0	0	0	0
SARA Title III	1	0	0	0	0	0	0	0	0	0	0	0
Air Issues.....	10	1	1	1	1	1	1	1	1	1	1	1
NPDES Water Discharge	0	0	0	0	0	0	0	0	0	0	0	0
Underground Injection Control	2	0	0	0	0	0	0	0	0	0	0	0
Production Reporting	4	0	0	0	0	0	0	0	0	0	0	0
Waste Issues	1	0	0	0	0	0	0	0	0	0	0	0
Safety Reporting	4	0	0	0	0	0	0	0	0	0	0	0
Training	1	0	0	0	0	0	0	0	0	0	0	0
TOTAL - TIER (Three)	23	2	2	2	2	2	2	2	2	2	2	2
Total Regulatory Reporting - (Oil & Gas Wells)	35,679	2,437	2,535	2,632	2,730	2,827	2,924	3,022	3,119	3,217	3,3	

(in thousands of dollars)

TOTAL REVENUES (Core Business)

(in thousands of dollars)

TOTAL REVENUES (Core Business)

REGULATORY ONLINE MANAGEMENT
REVENUE ASSUMPTIONS
Tier (One) - Five Year (Core Business)
(in whole dollars)

	ANNUAL					One Time Charges	ROMDC Monthly Revenues Per/Well
	Pre-Adoption Salary & Load Costs	Post Adoption Salary & Load Costs	ROMDC Client Breakeven Pricing	ROMDC 20% off Pre-Adoption Costs Pricing			
TIER (One) - ASSUMPTIONS (Core Business)							
Licensing/Access Fees					2,500		25.00
Regulatory Research	9,960	4,200	5,760	3,768			3.14
Regulatory Reporting - (Oil & Gas Wells)							
SPCC Plans	6,076	2,562	3,514	2,298			1.92
SARA Title III	3,586	1,512	2,074	1,356			1.13
Air Issues.....	42,430	17,892	24,538	16,052			13.38
NPDES Water Discharge	498	210	288	188			0.16
Underground Injection Control	10,657	4,494	6,163	4,032			3.36
Production Reporting	20,219	8,526	11,693	7,649			6.37
Waste Issues	4,084	1,722	2,362	1,545			1.29
Safety Reporting	10,060	4,242	5,818	3,806			3.17
Training	1,992	840	1,152	754			0.63
Total Regulatory Reporting - (Oil & Gas Wells)	99,600	42,000	57,600	37,680	0		31.41
TIER (One) - ASSUMPTIONS (Core Business)	\$109,560	\$46,200	\$63,360	\$41,448	\$2,500		\$34.55

KEY ASSUMPTIONS*
(in whole dollars)

	Pre-Adoption Base	Post Adoption Base
Licensing/Access Fees		2,500
Regulatory Research	9,960	4,200
Environmental Reporting:		
Personnel Salaries:		
Professional/Owner/Asst.	40,000	30,000
	40,000	30,000
Load Factor of 40%	16,000	12,000
	56,000	42,000
Consultant.....	32,400	
Auxiliary Personnel Factor 20%	11,200	
Total Personnel Salaries	\$99,600	\$42,000
Break-out using time percentage factor:		
SPCC Plans6.1%	6,076	2,562
SARA Title III 3.6%	3,586	1,512
Air Issues.....42.6%	42,430	17,892
NPDES Water Discharge 0.5%	498	210
Underground Injection Control 10.7%	10,657	4,494
Production Reporting20.3%	20,219	8,526
Waste Issues4.1%	4,084	1,722
Safety Reporting10.1%	10,060	4,242
Training2.0%	1,992	840
	100.0%	\$99,600
	\$99,600	\$42,000
ANNUAL ADOPTION RATES:		
	Monthly Well Factor	
YEAR (One) 5.0%	3.0667	
YEAR (Two) 5.0%	3.0667	
YEAR (Three) 5.0%	3.0667	
YEAR (Four) 5.0%	3.0667	
YEAR (Five) 5.0%	3.0667	

WELL COUNT IN TIER (Three) 736,000

* Tier (One) companies average 100 wells each and are 92% of the 8,000 companies in the US.

REGULATORY ONLINE MANAGEMENT
REVENUE ASSUMPTIONS
Tier (Two) - Five Year (Core Business)
(in whole dollars)

	ANNUAL					ROMDC Monthly Revenues Per/Well
	Pre-Adoption Salary & Load Costs	Post Adoption Salary & Load Costs	ROMDC Client Breakeven Pricing	ROMDC 20% off Pre-Adoption Costs Pricing	One Time Charges	
TIER (Two) - ASSUMPTIONS (Core Business)						
Licensing/Access Fees					20,000	7.55
Regulatory Reporting - (Oil & Gas Wells)						
SPCC Plans	55,726	26,215	29,511	18,365		0.31
SARA Title III	29,165	13,720	15,445	9,612		0.16
Air Issues.....	7,812	3,675	4,137	2,575		0.04
NPDES Water Discharge	3,125	1,470	1,655	1,030		0.02
Underground Injection Control	103,639	48,755	54,884	34,156		0.57
Production Reporting	79,682	37,485	42,197	26,261		0.44
Waste Issues	42,185	19,845	22,340	13,903		0.23
Safety Reporting	159,365	74,970	84,395	52,522		0.88
Training	40,102	18,865	21,237	13,216		0.22
Total Regulatory Reporting - (Oil & Gas Wells)	520,800	245,000	275,800	171,640	0	2.87
TIER (Two) - ASSUMPTIONS (Core Business)	\$520,800	#REF!	#REF!	#REF!	#REF!	#REF!

KEY ASSUMPTIONS
(in whole dollars)

	Pre-Adoption Base	Post Adoption Base
Licensing/Access Fees		20,000
Regulatory Research	52,080	24,500
Environmental Reporting:		
Personnel Salaries:		
Regulatory Manager	100,000	100,000
Regulatory Professional	85,000	
Safety Professional	75,000	75,000
Regulatory Assistant	50,000	
	310,000	175,000
Load Factor of 40%	124,000	70,000
	434,000	245,000
Auxiliary Personnel Factor 20%	86,800	
Total Personnel Salaries	\$520,800	\$245,000
Break-out using time percentage factor:		
SPCC Plans10.7%	55,726	26,215
SARA Title III 5.6%	29,165	13,720
Air Issues.....1.5%	7,812	3,675
NPDES Water Discharge 0.6%	3,125	1,470
Underground Injection Control 19.9%	103,639	48,755
Production Reporting15.3%	79,682	37,485
Waste Issues8.1%	42,185	19,845
Safety Reporting30.6%	159,365	74,970
Training7.7%	40,102	18,865
100.0%	\$520,800	\$245,000
ANNUAL ADOPTION RATES:	Monthly Well Factor	
YEAR (One) 5.0%	0.3815	
YEAR (Two) 5.0%	0.3815	
YEAR (Three) 5.0%	0.3815	
YEAR (Four) 5.0%	0.3815	
YEAR (Five) 5.0%	0.3815	

WELL COUNT IN TIER (Two) **91,554**

REGULATORY ONLINE MANAGEMENT
REVENUE ASSUMPTIONS
Tier (Three) - Five Year (Core Business)
(in whole dollars)

	ANNUAL					
	<i>Pre-Adoption Salary & Load Costs</i>	<i>Post Adoption Salary & Load Costs</i>	<i>ROMDC Client Breakeven Pricing</i>	<i>ROMDC 20% off Pre-Adoption Costs Pricing</i>	<i>One Time Charges</i>	<i>ROMDC Monthly Revenues Per/Well</i>
TIER (Three) - ASSUMPTIONS (Core Business)						
Licensing/Access Fees					30,000	3.00
Regulatory Research	81,480	31,500	49,980	33,684		0.28
Regulatory Reporting - (Oil & Gas Wells)						
SPCC Plans	46,444	17,955	28,489	19,200		0.16
SARA Title III	23,629	9,135	14,494	9,768		0.08
Air Issues.....	342,216	132,300	209,916	141,473		1.18
NPDES Water Discharge	2,444	945	1,499	1,011		0.01
Underground Injection Control	85,554	33,075	52,479	35,368		0.29
Production Reporting	131,998	51,030	80,968	54,568		0.45
Waste Issues	34,222	13,230	20,992	14,147		0.12
Safety Reporting	131,998	51,030	80,968	54,568		0.45
Training	16,296	6,300	9,996	6,737		0.06
Total Regulatory Reporting - (Oil & Gas Wells)	814,800	315,000	499,800	336,840	0	2.80
TIER (Three) - ASSUMPTIONS (Core Business)						
	\$896,280	\$346,500	\$549,780	\$370,524	\$30,000	\$3.08

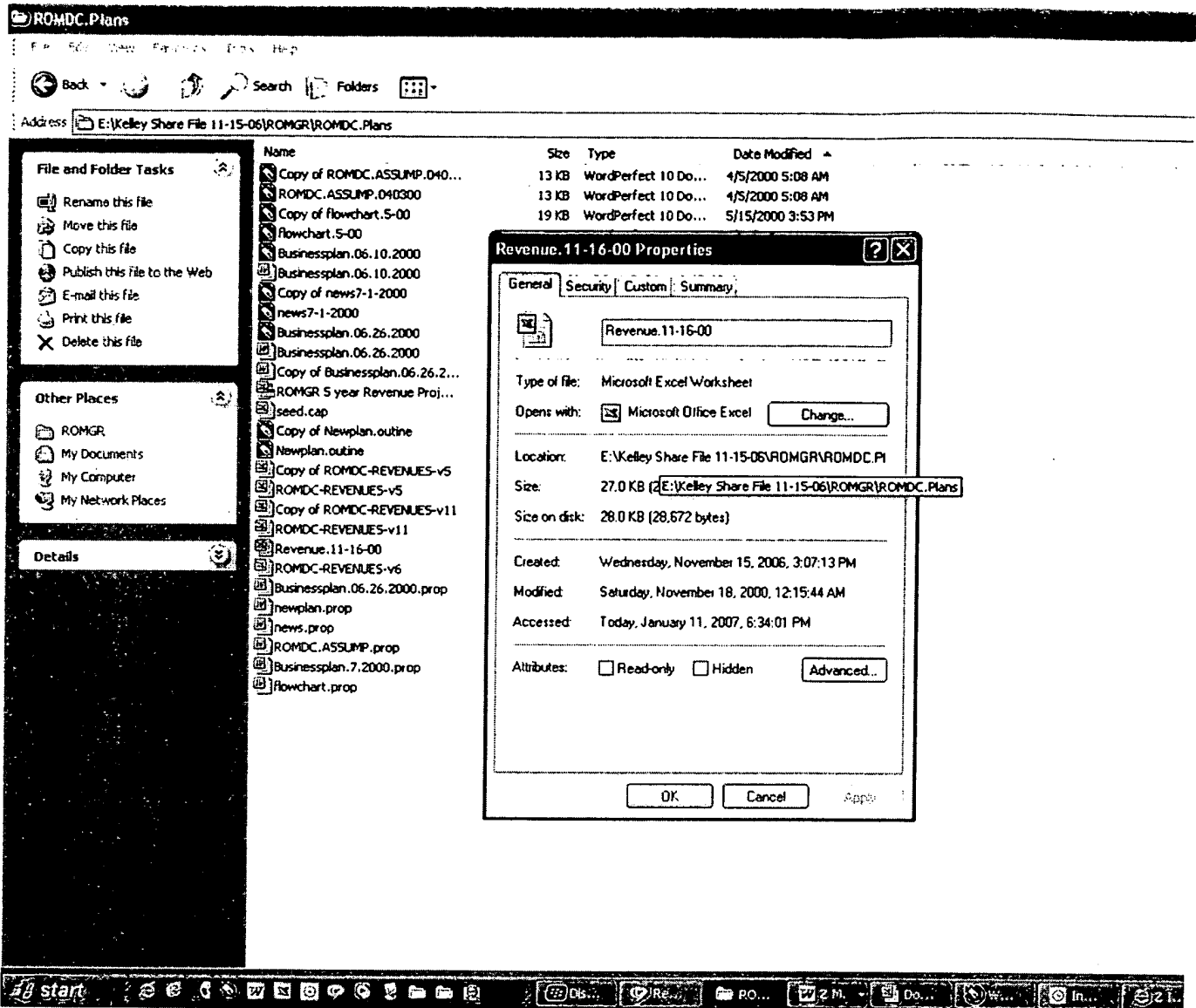
KEY ASSUMPTIONS
(in whole dollars)

	Pre-Adoption Base	Post Adoption Base
Licensing/Access Fees		30,000
Regulatory Research	81,480	31,500
Environmental Reporting:		
Personnel Salaries:		
Regulatory Manager	100,000	100,000
Environmental Professionals	80,000	
Environmental Professionals	80,000	
Environmental Assistant	50,000	50,000
Environmental Assistant	50,000	
Safety Professional	75,000	75,000
Safety Assistant	50,000	
	485,000	225,000
Load Factor of 40%	194,000	90,000
	679,000	315,000
Auxiliary Personnel Factor 20%	135,800	
Total Personnel Salaries	\$814,800	\$315,000
Break-out using time percentage factor:		
SPCC Plans5.7%	46,444	17,955
SARA Title III2.9%	23,629	9,135
Air Issues.....42.0%	342,216	132,300
NPDES Water Discharge0.3%	2,444	945
Underground Injection Control10.5%	85,554	33,075
Production Reporting16.2%	131,998	51,030
Waste Issues4.2%	34,222	13,230
Safety Reporting16.2%	131,998	51,030
Training2.0%	16,296	6,300
100.0%	\$814,800	\$315,000

ANNUAL ADOPTION RATES:	Monthly Well Factor
YEAR (One) 5.0%	0.0229
YEAR (Two) 5.0%	0.0229
YEAR (Three) 5.0%	0.0229
YEAR (Four) 5.0%	0.0229
YEAR (Five) 5.0%	0.0229

WELL COUNT IN TIER (Three) 54,933

EXHIBIT 19

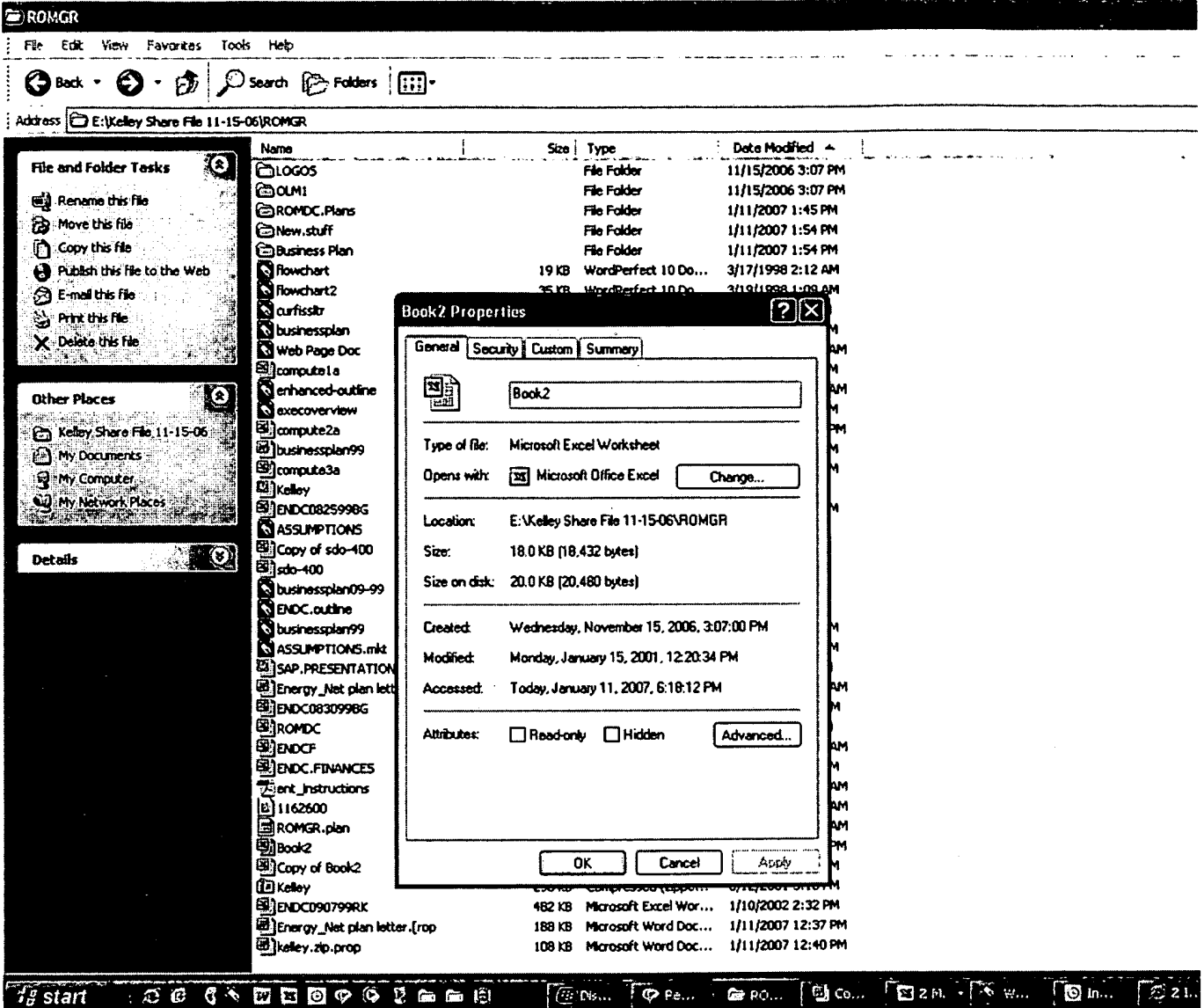


Total Wells Operating in USA =	882487
Total Operators in USA =	8000
Per Site License Revenue =	2500
Tier I Wells =	811888.04
Tier II Wells =	52949.22
Tier III Wells =	17649.74
Tier 1 Well Factor =	50
Tier II Well Factor =	5
Tier III Well Factor =	0.5
Salary Expense Index =	1.25
Salary Inflation Factor =	1.1

Month	No. of License Sales	License Sales Rev.	Internet Subscription Rev.				
			Tier I	Tier II	Tier III	Total Monthly Rev.	
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13	33.6	\$84,000.00	\$1.00	\$183,557.30	\$18,355.73	\$1,835.57	\$287,749.60
14	33.6	\$84,000.00	\$2.00	\$367,114.59	\$36,711.46	\$3,671.15	\$491,499.20
15	33.6	\$84,000.00	\$3.00	\$550,671.89	\$55,067.19	\$5,506.72	\$695,248.80
16	33.6	\$84,000.00	\$4.00	\$734,229.18	\$73,422.92	\$7,342.29	\$898,998.39
17	33.6	\$84,000.00	\$5.00	\$917,786.48	\$91,778.65	\$9,177.86	\$1,102,747.99
20	33.6	\$84,000.00	\$6.00	\$1,101,343.78	\$110,134.38	\$11,013.44	\$1,306,497.59
21	33.6	\$84,000.00	\$7.00	\$1,284,901.07	\$128,490.11	\$12,849.01	\$1,510,247.19
22	33.6	\$84,000.00	\$8.00	\$1,468,458.37	\$146,845.84	\$14,684.58	\$1,713,996.79
23	33.6	\$84,000.00	\$9.00	\$1,652,015.66	\$165,201.57	\$16,520.16	\$1,917,746.39
24	33.6	\$84,000.00	\$10.00	\$1,835,572.96	\$183,557.30	\$18,355.73	\$2,121,495.99
25	33.6	\$84,000.00	\$11.00	\$2,019,130.26	\$201,913.03	\$20,191.30	\$2,325,245.58
26	33.6	\$84,000.00	\$12.00	\$2,202,687.55	\$220,268.76	\$22,026.88	\$2,528,995.18
27	33.6	\$84,000.00	\$13.00	\$2,386,244.85	\$238,624.48	\$23,862.45	\$2,732,744.78
28	33.6	\$84,000.00	\$14.00	\$2,569,802.14	\$256,980.21	\$25,698.02	\$2,936,494.38
29	33.6	\$84,000.00	\$15.00	\$2,753,359.44	\$275,335.94	\$27,533.59	\$3,140,243.98
30	33.6	\$84,000.00	\$16.00	\$2,936,916.74	\$293,691.67	\$29,369.17	\$3,343,993.58
31	33.6	\$84,000.00	\$117.00	\$21,476,203.63	\$2,147,620.36	\$214,762.04	\$23,922,703.03
32	33.6	\$84,000.00	\$18.00	\$3,304,031.33	\$330,403.13	\$33,040.31	\$3,751,492.77
33	33.6	\$84,000.00	\$19.00	\$3,487,588.62	\$348,758.86	\$34,875.89	\$3,955,242.37
34	33.6	\$84,000.00	\$20.00	\$3,671,145.92	\$367,114.59	\$36,711.46	\$4,158,991.97
35	33.6	\$84,000.00	\$21.00	\$3,854,703.22	\$385,470.32	\$38,547.03	\$4,362,741.57
36	33.6	\$84,000.00	\$22.00	\$4,038,260.51	\$403,826.05	\$40,382.61	\$4,566,491.17
37	33.6	\$84,000.00	\$23.00	\$4,221,817.81	\$422,181.78	\$42,218.18	\$4,770,240.77
38	33.6	\$84,000.00	\$24.00	\$4,405,375.10	\$440,537.51	\$44,053.75	\$4,973,990.37
39	33.6	\$84,000.00	\$25.00	\$4,588,932.40	\$458,893.24	\$45,889.32	\$5,177,739.96
40	33.6	\$84,000.00	\$26.00	\$4,772,489.70	\$477,248.97	\$47,724.90	\$5,381,489.56
41	33.6	\$84,000.00	\$27.00	\$4,956,046.99	\$495,604.70	\$49,560.47	\$5,585,239.16
42	33.6	\$84,000.00	\$28.00	\$5,139,604.29	\$513,960.43	\$51,396.04	\$5,788,988.76
43	33.6	\$84,000.00	\$29.00	\$5,323,161.58	\$532,316.16	\$53,231.62	\$5,992,738.36
44	33.6	\$84,000.00	\$30.00	\$5,506,718.88	\$550,671.89	\$55,067.19	\$6,196,487.96
45	33.6	\$84,000.00	\$31.00	\$5,690,276.18	\$569,027.62	\$56,902.76	\$6,400,237.56
46	33.6	\$84,000.00	\$32.00	\$5,873,833.47	\$587,383.35	\$58,738.33	\$6,603,987.15
47	33.6	\$84,000.00	\$33.00	\$6,057,390.77	\$605,739.08	\$60,573.91	\$6,807,736.75
48	33.6	\$84,000.00	\$34.00	\$6,240,948.06	\$624,094.81	\$62,409.48	\$7,011,486.35
49	33.6	\$84,000.00	\$35.00	\$6,424,505.36	\$642,450.54	\$64,245.05	\$7,215,235.95
50	33.6	\$84,000.00	\$36.00	\$6,608,062.66	\$660,806.27	\$66,080.63	\$7,418,985.55
51	33.6	\$84,000.00	\$37.00	\$6,791,619.95	\$679,162.00	\$67,916.20	\$7,622,735.15
52	33.6	\$84,000.00	\$38.00	\$6,975,177.25	\$697,517.72	\$69,751.77	\$7,826,484.75

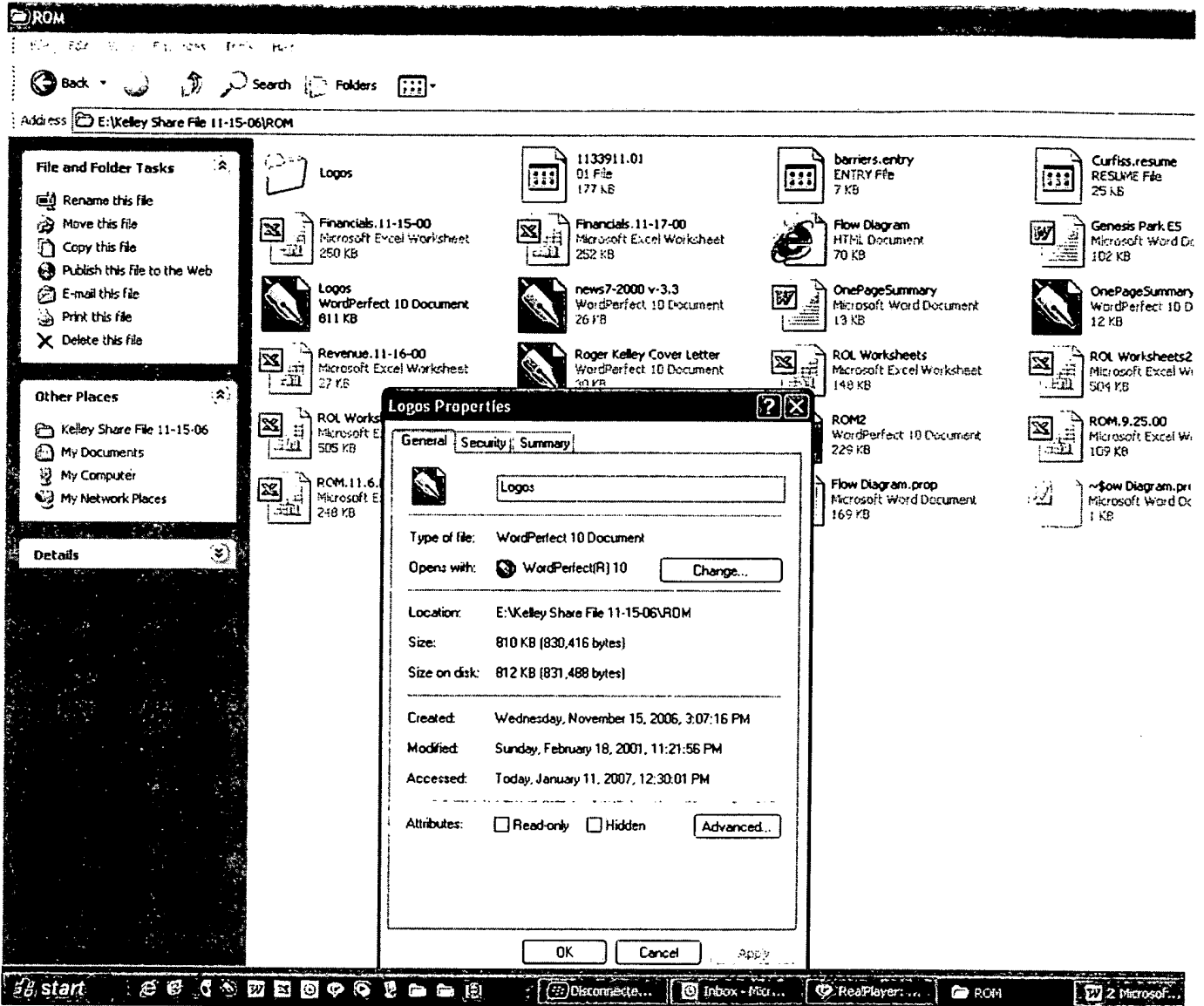
53	33.6	\$84,000.00	\$39.00	\$7,158,734.54	\$715,873.45	\$71,587.35	\$8,030,234.34
54	33.6	\$84,000.00	\$40.00	\$7,342,291.84	\$734,229.18	\$73,422.92	\$8,233,983.94
55	33.6	\$84,000.00	\$41.00	\$7,525,849.14	\$752,584.91	\$75,258.49	\$8,437,733.54
56	33.6	\$84,000.00	\$42.00	\$7,709,406.43	\$770,940.64	\$77,094.06	\$8,641,483.14
57	33.6	\$84,000.00	\$43.00	\$7,892,963.73	\$789,296.37	\$78,929.64	\$8,845,232.74
58	33.6	\$84,000.00	\$44.00	\$8,076,521.02	\$807,652.10	\$80,765.21	\$9,048,982.34
59	33.6	\$84,000.00	\$45.00	\$8,260,078.32	\$826,007.83	\$82,600.78	\$9,252,731.94
60	33.6	\$84,000.00	\$46.00	\$8,443,635.62	\$844,363.56	\$84,436.36	\$9,456,481.53
		\$3,864,000.00		\$216,781,166.58	\$21,678,116.66	\$2,167,811.67	\$244,492,275.90

EXHIBIT 20



9250.00
18500.00
27750.00
37000.00
60125.00
83250.00
106375.00
152625.00
180375.00
226625.00
272875.00
319125.00
365375.00
411625.00
457875.00
504125.00
550375.00
596625.00
642875.00
689125.00
735375.00
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827875.00
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1012875.00
1059125.00
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1197875.00
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1267250.00
1290375.00
1313500.00
1336625.00
1359750.00
1382875.00
1406000.00
1429125.00

EXHIBIT 21



Phil,

Here are the three logos that have been sent this last time. Let me know if they come through okay.

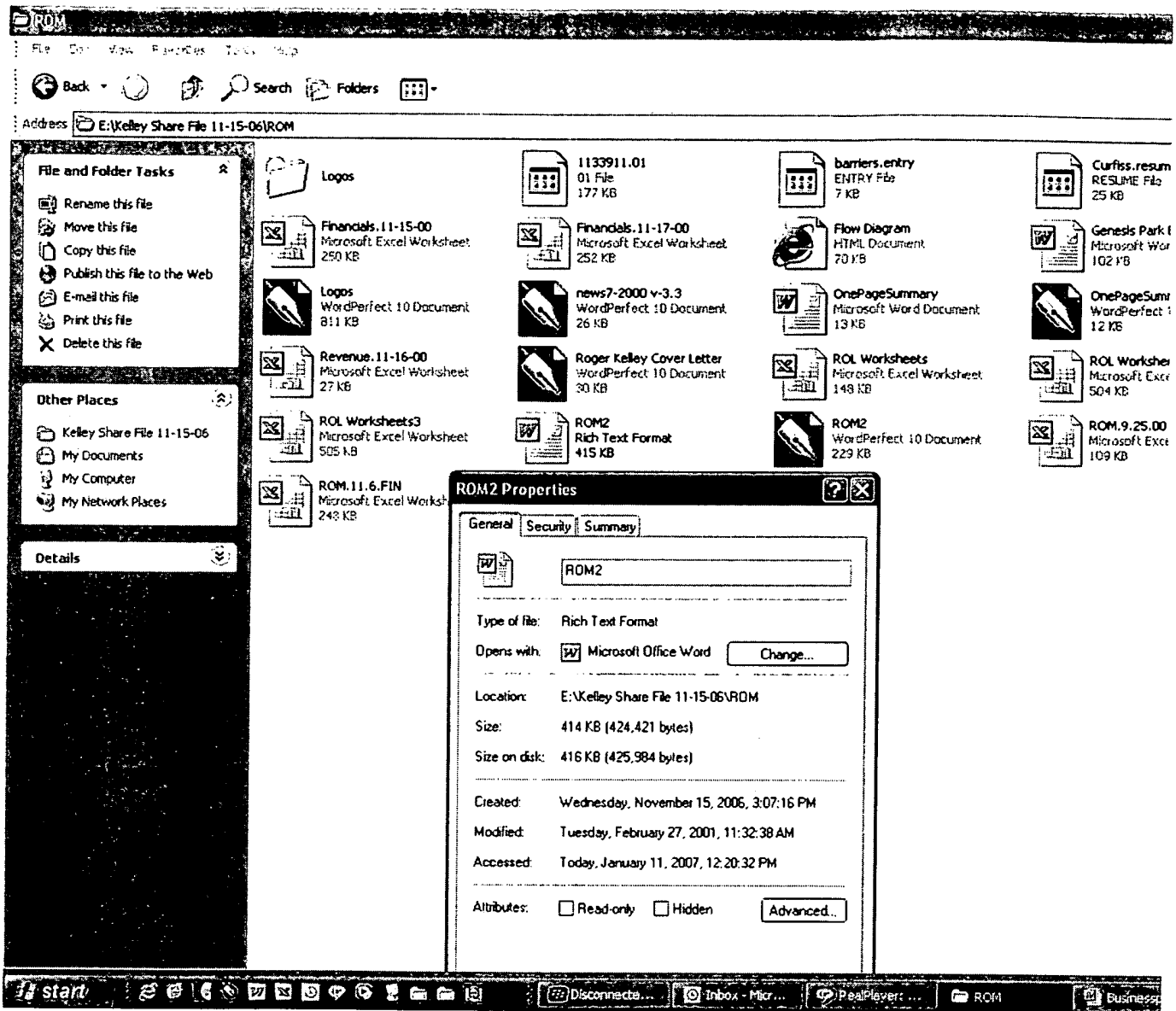
Roger K.





***Regulatory
On-Line
Manager.Com***

EXHIBIT 22





Regulatory On-Line Business Plan 2001

CONFIDENTIAL

J. Roger Kelley

February 2001

Business Plan Summary

Company: Regulatory Online, Inc.
1931 Humble Place Drive
Suite 202
Humble, Texas 77338

Contact: J. Roger Kelley, President

Type of Business: On-Line (Internet based) management of regulatory data and regulatory compliance issues.

Company Summary: Regulatory Online Manager (ROL) is a next generation Internet accessible information management system designed to offer industry worldwide, a fully integrated service solution for managing regulatory compliance issues. This system will operate on the fast developing Internet platform with smart-links to the major information centers for any industry (trade associations, agency web sites, information services, etc.), to provide easy access to relevant information. ROL is an "on-line consultant" that will assist the user in determining regulatory needs, providing the tools necessary to fulfill those needs and complete the proper forms, and

Comment [DocXchang1]: Page: 1
***DocX Reports Header A-1 text
was:***
Regulatory-On-LineBusiness Plan 2001
J. Roger Kelley281-446-4427
jrkelley@sprintmail.com
End Of Header A-1
***DocX Reports Header B-1 text
was:***
ROLAppendix A - Product Description
End Of Header B-1
***DocX Reports Header B-2 text
was:***
ROLAppendix B - Program Architecture
End Of Header B-2

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ROL

where possible, electronically submit compliance reports to the appropriate regulatory agencies. ROL's objective is to become the first application of its type on the Internet to market, and to become fully branded as a business-to-government (B2G) model that will successfully enable the user to perform compliance functions on an automated system and electronically submit the results to the target agency.

Management: *J. Roger Kelley, CEO*, has worked for two major oil companies as a petroleum engineer and as a regulatory professional, for one regulatory agency and for three environmental consulting firms, two of which he started up and owned. He holds three degrees (BA-Biology, BS-Chemical Engineering, MS-Environmental Science) and currently is President and CEO of Kelley Engineering as well as ROL, Inc. He has been involved in many issue specific lobbying efforts both at state and federal levels on behalf of his employers and through the various state and federal based trade associations.

Phil Rudd - Director of Marketing, has a bachelors degree in business and marketing from Millikin University in Illinois. Mr. Rudd has served worked as a marketing manager for over 25 years and has been responsible for building successful marketing programs for various organizations. He has also been successful in obtaining funding and starting up a medical gas management company in Oklahoma City, Oklahoma.

Product Service and Competition:

Funds Requested: \$1,000,000.00 in seed capital for the first six months of operation and then \$15,000,000.00 in the second round financing.

Collateral: None

Use Proceeds: Startup expenses include salaries, legal and consulting expenses to carry the company through second round financing

Exit: The company plans to go public within first five years and then the investors can liquidate their positions on the public market to recoup their investment and profits.

Executive Summary

Regulatory On-Line (ROL) was conceived out of a recognized need in the marketplace for a more efficient method of regulatory data management and reporting. Every branch of commerce and industry is subject to a certain level of government regulations in which they must comply in order to stay in business. These regulations apply to numerous facets of normal business functions including financial, transportation, environmental, safety, mineral management, etc., depending upon the nature of the targeted industry. Currently, these regulatory requirements are being managed either by in-house professional regulatory staff or by other in-house professional and administrative staff who out-source this function to regulatory consultants and/or attorneys, depending upon the size and complexity of the project.

Many software products have been designed to address these regulatory issues, most of which are available on compact disks. A few issue-specific applications have even been made available in limited format on the Internet. However, no products have been developed that are equal in scope and application to ROL. ROL is initially designed and targeted for the oil and gas exploration and production (E&P) market, but will be readily scalable to other industrial applications.

ROL is an Internet accessible information management system designed to assist most industries worldwide in managing environmental, safety and regulatory compliance issues. As an Internet accessible system, ROL enters the market with many advantages. First, it offers an automated system for regulatory compliance, that represents a substantial savings over any traditional or currently available regulatory compliance methodology. Second, it provides this system on the fast developing Internet platform with smart-links to the major information centers for any industry (trade associations, agency web sites, information services, etc.), to provide easy access to relevant information. And third and most importantly ROL, acts as an "on-line consultant" (a one stop shop) that will assist the user in determining regulatory needs, providing the tools necessary to fulfill those needs and complete the proper forms, and where possible, electronically submitting compliance reports to the appropriate regulatory agencies. It also provides a rapid compliance reporting mechanism that is instantaneous when the client has impending compliance deadlines to meet.

In order to most efficiently manage the regulatory compliance function, ROL will have the ability to share data with the user's well accounting data base system. ROL will perform regulatory compliance functions by sharing data with the user's accounting/database systems, while maintaining a companion Internet database of regulatory information and calculations. The ROL system will enable users to determine and assess compliance requirements for each scenario presented and will provide the tools necessary to establish regulatory compliance. The ROL system also includes a digital library that will provide the user with a full complement of regulatory information and research services. In essence, ROL will be the fastest, easiest, and most cost effective way to assess regulatory needs, research ways and means to fulfill those needs, and ultimately complete and file the required compliance reports with the appropriate government entity.

ROL's revenue model is designed to initially penetrate the oil and gas exploration and production (E&P) market, and is based upon the sale of these services through the Internet. ROL will charge an initial license fee to subscribers, for which it will provide initial operations training along with companion training materials (manuals) and a database system that will link with the ROL system. ROL will then charge subscribers a monthly fee based upon the number of wells that the client operates. This subscription fee has been defined, based upon actual industry expenditures¹ on regulatory matters. The billing model is divided into three tiers, to allow for economies of scale for the few large operators. Multiple site licenses will be sold to larger companies that have multiple centers of operation.

ROL has designed its business model and Internet system to achieve the highest levels of penetration into the market by developing the Business -to-Government (B2G) e-commerce "pipeline" to the government agencies. ROL has secured board members and other contacts that will greatly enhance this opportunity at the private as well as at government levels of influence. By being first into the market and providing the "pipeline", ROL will be able to achieve the projected market share plus more. ROL will provide links into other regulatory databases to create the one-stop-shop for all of the basic regulatory needs.

In addition to the revenues from Internet sales, ROL expects to generate income from advertising on its increasingly popular web site. This site will be a magnet site for the regulated community as a clearinghouse for regulatory information, and as such, will achieve high demand as an advertising medium, although the revenues from this source have not been included in the revenue model. ROL also expects some revenues from off-line consulting for those client/users that are not able to solve all of their regulatory needs on-line. These services may range from assistance in data entry and decision making, to on-site consulting and agency interaction for those more complicated problems that cannot be solved through standard protocols.

In the Oil and Gas production upstream market niche, ROL will be marketed aggressively through industry trade associations and association sponsored seminars. Once the world wide oil and gas energy market has been successfully penetrated, ROL in Phase II will make inroads into the coal, utility, refining-manufacturing, and all other regulated industries, subject to feasibility studies and profit analyses. Due to the similarities among regulatory matters, the ROL system is readily scalable to other industries with minimal incremental development expense.

Beyond the need for effective software technology, ROL recognizes the need to build a user friendly and industry friendly system that will satisfy the needs of even the least computer/Internet literate user. The interface will be designed to fit the industry, rather than requiring the industry to adapt to the system.

ROL has secured the services of Bracewell & Patterson (BP) LLP who are preparing the patent application as well as providing regulatory and corporate legal assistance on a shared equity/deferred billing basis. BP is ROL's startup law firm. ROL has also conferred with potential strategic technical partners, Xenax and NET.FX, to assist with the software development IT functions on a shared equity basis. ROL is seeking \$2.0 million in seed capital

¹ API - Petroleum Industry Environmental Performance Report, Sixth Annual Report

to begin the software and system development, and then launch the marketing program. Upon receipt of this funding, ROL will seek first round funding of \$15 to carry the venture through first revenues and development of the energy market.

ROL will ultimately seek public funding through an IPO within the first five years to provide the additional capital necessary to expand to the international market as well as the other targeted regulated industries.

Overview

Regulatory On-Line (ROL) is a next generation Internet accessible information management system designed to offer industry worldwide, a fully integrated service solution for managing regulatory compliance issues. As an Internet accessible system, ROL enters the market with many advantages: it offers a "one stop shopping" automated system for regulatory compliance that represents a substantial savings over any traditional or currently available means to comply with governmental regulations. It provides this system on the fast developing Internet platform with smart-links to the major information centers for any industry (trade associations, agency web sites, information services, etc.), to provide easy access to relevant information. And most importantly ROL acts as an "on-line consultant" that will assist the user in determining regulatory needs, providing the tools necessary to fulfill those needs and complete the proper forms, and where possible, electronically submitting² compliance reports to the appropriate regulatory agencies. ROL will be designed to be compatible with available accounting and information management systems. In the performance of these regulatory reporting and compliance functions, ROL will share data with the user's well accounting/ database systems, while maintaining a companion Internet database of regulatory information and calculations. The ROL system will enable users to determine and assess compliance requirements and will provide the tools necessary to establish regulatory compliance. The ROL system also includes a digital library that will provide the user with a full complement of regulatory information and research services. In essence, ROL will be the fastest, easiest and most cost effective way to assess regulatory needs, research ways and means to fulfill those needs and ultimately complete and file the required compliance reports.

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ROL

ROL's objective is to become the first application of its type on the Internet to market, and to become fully branded as a business-to-government (B2G) model that will successfully enable the user to perform compliance functions on an automated system and electronically submit the results to the target agency. This service will be provided to industry on the order of Quicken® or TurboTax® in "user friendliness" such that even the least technically sophisticated user can be successful.

ROL will exploit two significant advantages in the marketplace. First, the common data base of information with automated data entry from existing company data bases will provide an efficiency that will benefit all users, no matter what size or level of technical expertise. Second, the B2G "pipeline" will make ROL the only vehicle on the market that provides this rapid reporting service. In being the first to market, ROL will have the opportunity for exclusive use of this pipeline.

² The electronic filing system will be referred to later as the "pipeline". This is one of the most exciting concepts, and is a primary barrier to entry for others that might follow. It can be compared to and best understood as a system similar to that being used to electronically file tax returns, but with much more power.

To exploit this opportunity, ROL is initially seeking \$2.0 million in seed capital to provide the means to move the venture forward. Upon initial seed funding, ROL will begin seeking the \$15 million necessary in the form of second round funding to take the product into the first niche market and to develop future target markets.

The Market: Industry Dynamics

Industry worldwide is faced with a myriad of government regulatory requirements, the application and implementation of which has resulted in a significant impact to their bottom line. In response to this challenge, industry has been required to establish entire departments within their organizations in order to comply with these regulations, ranging in application from basic accounting and financial procedures to the very complex and costly environmental, industrial hygiene, and safety regulations. The staff required to deal with these government requirements include accountants, lawyers, doctors (M.D.'s), engineers, chemists, and other associated support staff. The founder of Regulatory On-Line (ROL) recognized a need to provide a more efficient and cost effective means of achieving compliance with these regulations. The ROL solution is to revolutionize the way regulatory compliance is accomplished.

Upstream Oil and Gas Exploration and Production Market

The market for ROL is vast. To illustrate this point the following discussion will be centered around ROL's first "niche" market (U.S. upstream oil and gas production). Of the 8,000 producers of oil and gas in the U.S.A., over 7,400 are considered medium to small independents who typically out-source the functions that ROL provides. These 8,000 producers operate approximately 884,000 oil and gas wells, each of which has specific and definite regulatory reporting requirements. ROL will generate revenues based on the number of wells that each user operates. ROL plans to capture 25% of the market of independent oil and gas producers over the first five years of operation. The capture rate increases at a more rapid pace as the "pipeline" for electronic document submission becomes the defacto "industry standard". The small to medium operators will be attracted to ROL for the cost savings as well as the ease of operation. The larger independent producers, as well as the major oil companies, will use ROL for its innovation in data management as well as the access to up-to-date and emerging regulatory information, thereby providing much needed regulatory support in every sector of the industry.

In the upstream oil and gas production niche, ROL will be marketed aggressively through industry trade associations and association sponsored seminars. Once the world wide oil and gas energy market has been successfully penetrated, ROL in Phase II will make inroads into the coal, utility, refining-manufacturing, and all other regulated industries, subject to feasibility studies and profit analysis.

Beyond the need for effective software technology, ROL recognizes the need to build a user friendly and industry friendly data management system that will satisfy the needs of even the least computer/Internet literate user. The interface will be designed to fit the industry, rather than requiring the industry to adapt to the system. In the initial niche market, ROL believes that the potential users will be very diverse:

- *Major producers* - The regulatory staff professionals of the major oil and gas producers will use ROL to enhance their effectiveness, thereby enabling them to better address all of their regulatory needs
- *Independent Producers* - These companies typically have a limited staff of professionals dedicated to the regulatory function and most have no staff members fully dedicated to this function. These duties are typically performed by staff members as an auxiliary function that tends to dilute their main focus of generating revenue from oil and gas production and marketing. ROL will be sufficiently simple and user friendly in application that a clerk, secretary or other administrative function within the organization will be able to fulfill the regulatory function with minimal input from the revenue generating staff members.
- *Regulatory Consultants, Accountants, Lawyers, etc.* - The service sector will find utility in the ROL system for various functions ranging from information gathering to actual compliance functions and report filings of their clients.
- *Government Entities* - All government agencies that are involved with or affect a sector of industry in ROL's market will find great utility in the services offered by ROL. These entities will use the calculation routines as well as the information services provided by this system.

It is widely recognized that in the changing world of regulatory compliance, most industries find themselves wallowing in a sea of "red tape". A business to government (B2G) model, such as ROL, has tremendous potential and has already generated significant excitement from the smallest companies to top government officials. ROL is the first entity of this magnitude and format to penetrate this space.

Scalable Markets

Once ROL has developed a system sufficient to meet the needs of the upstream oil and gas E&P market, the incremental cost to enter other regulated energy markets is much less, thereby enhancing the profitability of the mother system. Other energy related markets, e.g. refining and manufacturing, retail marketing, coal mining, power generation, etc., will use functional modules very similar, and in some instances identical, to those already developed for the original "niche" market.

The Competition

For over 20 years, J. Roger Kelley has managed the environmental and regulatory affairs for various oil and gas exploration and production companies. In his quest for a useful regulatory data management and reporting system, he discovered that many single issue programs were available on the market, but none of them offered the flexibility and utility that he required to manage the information for his clients. Each of the available systems required maintenance of separate data bases of duplicate information. It was his knowledge and understanding of this problem that led Mr. Kelley to the idea for ROL as a regulatory, database compliance tool (the phrase "The Digital Roger" has already become somewhat of a company mission). He understands the needs of the industry and has designed the technology of ROL to fit those needs. ROL has re-searched many of the search engines, i.e. Lycos, Yahoo, Google, GOTO, and others and has discovered thousands of references to regulatory and software combined. On GOTO, ROL discovered approximately 240 web sites that host environmental or regulatory software. However, none of these sites offered service over the Internet. The software was offered as a download, but not as an Internet solution. The State of Louisiana is beginning to offer drilling permits that may be completed and submitted over the Internet service. Most regulatory software is distributed on CD format or through direct download. These systems do not offer a data base link that would facilitate sharing of data with other systems. The Louisiana program is set up to receive the required data on Microsoft Excel® format, as do many other systems.

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Business Strategy

ROL's objective is to become the first Internet service provider of its type to market, and to become fully branded as a business-to-government (B2G) model that will successfully enable the user to perform compliance functions on an automated system and electronically submit the results to the target agency. To achieve this objective, ROL's strategy is comprised of the following key elements:

Be first to market with a fully-integrated, next generation Internet based compliance solution for the regulated industry, using a combination of a full-featured, commerce-enabled, interactive B2G website along with offline data-entry companion software.

Obtain patent for ROL using Bracewell & Patterson- LLP, for the patent work.

Begin with the E&P energy market and capture 25% market share during the first five years of operation.

Work with the government regulatory agencies to develop a pipeline between ROL and these agencies for the electronic submission of reports, applications, etc. Have the first and most accessible vehicle available to access this "pipeline".

Seek government funding from DOE, EPA, etc., to assist in development of the electronic "pipeline". This "pipeline" will be a significant benefit the government in encouraging compliance and reducing record-keeping costs.

Strategically partner with technology providers to secure state-of-the-art technology for ROL system. Build an on-going relationship with these strategic partners for development of future systems continuance upgrades to the existing systems. .

Enter other upstream as well as downstream energy markets during first five years of operation. Rapidly penetrate other markets with minimal incremental development costs by exploiting ROL's efficient and scalable design.

Seek other regulated industry markets that fit the ROL business model for profitability and use.

Take ROL public within the first five years and enter into the international market.

Execution of Business Strategy

Milestones

Begin With the Upstream Energy Market

ROL will begin by building a development team for the upstream energy market. This team will consist of regulatory professionals from this sector of the industry. ROL will hire a team leader or director that has high level industry experience in regulatory affairs. The team leader will be assisted by managers with expertise in the areas of environmental, safety, minerals management, and proration accounting. Each of these managers will be responsible to develop the data input for the modules designed in their area of expertise. As the need arises, each manager will be provided a team of associates to help in these tasks. These associates and managers will also be trained for future use on other market systems.

ROL will acquire a team leader or director during the first month of operation for the upstream energy market. This director will begin working with the CEO to find managers for each of the regulatory issues being developed in this phase of the system. These managers should all be in place and functioning by the end of the second month and ready to supply input to the program for the preparation of code. The upstream energy system will be up and running by the end of the first year. Marketing will begin with the trade association meetings in the 5th month of Year One, (May 2001). Following these meetings which run through July, individual seminars will be organized in the target states to market the system. First revenues will be expected in the 12th month from the upstream energy market.

Funding

ROL is seeking \$2.0 million to carry it through the first six months of operation. During that period of time, ROL will be seeking second first round funding in the order of \$18 million to carry the project through profitability and ultimately to the IPO stage. Table 1 illustrates the capital needs during this six month period. Once ROL has the seed capital in place and the software system is well into the development process, ROL will be able to approach several investors that have expressed an interest in participating in the development of this product. In particular Online Energy Solutions (OES), a subsidiary of EOG Resources has expressed an interest in participating as a strategic partner. OES brings not only capital investment, but also expertise in the Internet as well as contacts in the energy market.

Table 1 - Seed Capital Requirements		
<u>Expense Type</u>	<u>Monthly</u>	<u>Six Month Total</u>
Salaries		
CEO	\$18,750.00	\$135,000.00

Controller	\$8,334.00	\$50,004.00
Director/ VP Energy	\$8,334.00	\$41,670.00
Environmental Manager	\$6,250.00	\$31,250.00
Associate	\$4,667.00	\$18,668.00
Safety Manager	\$6,250.00	\$31,350.00
Associate	\$4,667.00	\$18,668.00
Minerals Manager	\$6,250.00	\$31,250.00
Associate	\$4,667.00	\$18,668.00
Marketing Manager	\$8,667.00	\$52,002.00
Presenter/Lecturer	\$5,000.00	\$20,000.00
Sales Assistant	\$2,500.00	\$10,000.00
Trainer	\$5,000.00	\$20,000.00
Trainer Assistant	\$2,500.00	\$10,000.00
Accounting	\$3,333.00	\$19,998.00
Secretary	\$2,667.00	\$8,001.00
Secretary / Administrator	\$2,667.00	\$16,002.00
Total Salaries		\$532,531.00
Software Development	\$50,000.00	\$300,000.00
Rent	\$7,500.00	\$45,000.00
General Office Expense	\$2,000.00	\$12,000.00
Travel and Marketing	\$17,810.00	\$53,430.00
Legal	\$5,834.00	\$35,004.00
Total Expenses	\$83,144.00	\$445,434.00
TOTALS		\$977,965.00

Marketing

ROL will market the system through the industry trade association network and through seminars set up through this network. The initial upstream module will be on-line and ready for sales by the end of the first year. The market will be developed in the major oil and gas producing states initially, and then ultimately to the entire United States. The Petroleum Technology Transfer Council (PTTC) along with the Independent Petroleum Association of America (IPAA) and other state oil and gas trade associations have been called upon to assist in this effort and have expressed significant interest in this product.

ROL expects to penetrate this "niche" market at the average rate of 5% per year for the first five years of operation. The digital "pipeline" will greatly enhance our ability to do so. ROL will have the only vehicle available of this magnitude that will be able to service this "pipeline". The "pipeline" concept has been much talked about in the regulatory and industry community, but has never been accomplished in the magnitude that ROL is proposing.

Developing Other Markets

ROL plans to enter the downstream energy market, namely retail marketing, power generation, refining and manufacturing. All of these industries have needs that are sufficiently similar to those of the upstream energy market, making this product very scalable. Movement into these areas may be accomplished with minimal incremental cost.

ROL plans to begin development on the retail marketing and power generation compliance system at the beginning of the second year and begin marketing this system at the beginning of the third year. At the same time, ROL plans to begin development of the refining and manufacturing system at the end of the second year, with plans to go to market at the 3 ½ year time point. The refining and manufacturing system is somewhat more complex than the other systems and will take longer to design and implement.

Secondary energy sectors that will be researched and embarked upon, if the market proves to be prolific, are the coal and uranium mining and processing industries.

Given this marketing plan, ROL will have captured the majority of the "low hanging fruit" of the energy industry. The strategy from that point will be to enter other regulated industries in the United States and international markets.

The Market

The ROL market is the entire regulated community. The initial target market for ROL is the upstream energy market. According to IPAA statistics, there are approximately 8,000 oil and gas companies of varying sizes in the U.S. alone, all of which represent potential users of the ROL system. Of these 8,000 producers, over 7,400 are considered medium to small independents who typically out-source the functions which ROL provides. Based on API statistics, this average producer operates approximately 100 oil and/or gas wells. The remainder of this number consists of large independent producers and major oil companies. Within this market, the potential user-operators range from the smaller independent operators that are not currently complying with all of the regulatory requirements out of fear, i.e. fear of the unknown costs and potential consequences of compliance; to the very sophisticated operators that are in need of a tool to manage the enormous volume of regulatory data and reports that are required. These 8,000 producers operate approximately 884,000 oil and gas wells in the United States for which each well has specific and varying regulatory reporting requirements.

The environmental, safety and regulatory needs of this market are twofold. First, there is a clear need for a reduction in regulatory compliance costs. Under the increasingly unstable oil and gas market, producers are constantly looking for ways to reduce overall production costs, one of which is regulatory compliance. ROL presents a more efficient and cost effective way to manage these compliance issues. According to the American Petroleum PIPE Study¹, over the five year period prior to 1996, the E&P industry spent an average of \$786 million per year on environmental operational issues alone, excluding capital expenditures and re-mediation costs. These figures translate to an average annual expenditure for the average sized independent of over \$7,400.00 per month. For the year 1996, this figure had escalated to \$820 million or over \$7,700.00 per month per company (\$77.30 per well). With the increase in government regulations since that time, the costs have not decreased. It should be noted that these cost figures do not include expenditures for other regulatory compliance issues, (e.g. safety, regulatory, DOE, etc). These figures represent only those associated with environmental compliance. ROL will allow this same size company to manage these regulatory issues completely "in-house" over the Internet service for a significantly discounted overall annual cost.

In addition to the cost reductions, there exists a need in the industry to increase the level of environmental, safety and regulatory compliance among its member companies. Increased compliance enhances the industry's position with the public, regulatory, and legislative sectors. The public relations issue is becoming more and more critical under the current market and political environments.

ROL will streamline compliance efforts by providing a quick and easy way for producers to determine their regulatory obligations without having an intimate and in-depth understanding of these regulations and how they apply. ROL provides an automated system that, combined with the company's existing well accounting systems, will allow the user-operator to generate reports

and filings, as well as perform the necessary engineering calculations. It will, by design serve as an educational tool, and serve to increase the users awareness of the issues.

Briefly, the benefits of the system include:

- Increased environmental, health and safety awareness through technology
- Increased co-operation with the agencies and compliance with the regulations, thereby reducing risk exposure
- Reduction in overall compliance cost (time & money)
- Improved public perception through pro-active environmental, safety, and regulatory efforts

As a benefit to government, ROL will necessarily provide a system that will generate statistical information to the Department of Energy and other interested agencies, regarding the relative effectiveness of certain regulations. This data will provide government with the statistical information to these agencies that will enable them to evaluate trends in reporting, enforcement, compliance, etc. that will allow both government and the industry to evaluate the utility of a regulation or the regulatory process. This style of information transfer will help to level the playing field between these two factions and provide for a more informed working relationship.

Our Position in the Market

ROL enters the market as a sole source provider of Internet based regulatory consulting services. The Internet has evolved to a point where the general public is comfortable with finding information and making purchases over the web. By offering this service on the Internet, ROL exploits the "e-commerce" business to government (B2G) sales model which offers a product for sale to businesses on the Internet and electronic transmission ("Pipeline") of that product to the appropriate governmental agency, while at the same time offering other value added enhancements that draw users to the site. An Internet provider achieves success by providing a wide selection of services at attractive prices along with an effortless experience. Success will be realized by delivering higher levels of service through the Internet than users can currently obtain from a consultant (in person), but at a reduced cost and with other enhancements. ROL can provide valuable services inexpensively and at a more comfortable level. Many of the smaller to medium size companies have a fear of the potential (unknown) costs and liabilities involved in getting an outside regulatory professional or attorney involved in their regulatory affairs. ROL provides a very controllable method, from the standpoint of both cost and liability, of researching and evaluating regulatory needs.

ROL will build an Internet (magnet) site by providing links to other products, services, government agencies, etc. Partnerships and alliances will be created with other non-competitive providers of information and services to establish the critical mass needed to become an industry magnet. In essence, ROL will syndicate these information resources and provide them as a service to the users. ROL will use a dedicated search engine, tied in with other search engines of other web sites through smart-links, to help the user to find the information and services. In order to provide users with value added information and assistance, ROL will provide answers to frequently asked questions for each module or category. ROL will use all of these information resources to attract clients and to generate new sources of revenue, such as advertising and/or sales of complementary products and services. The anticipated result of providing value added information on the ROL web site will be to consolidate parts of the value chain. With this approach, ROL will reduce costs for clients by reducing the number of entities they have to deal with in the value chain, thereby making the entire site more attractive to advertisers, and user friendly to clients.

How ROL Will Capture Market Share In It's First Niche Market - Upstream Oil and Gas Energy

ROL plans to capture at least 25% of the market over a five year period. The capture rate will increase at a more rapid pace as the "Pipeline" for document submission becomes the defacto industry standard. ROL revenues will be based mainly on client usage, which is in turn driven by well count. The primary market for ROL in this niche is the smaller producer (average 100 wells). This segment represents more than 85% of the wells in the United States..

The client/user will pay an initial site licensing fee of \$2,500.00, cost per well per month (see revenue model).

Other sources of revenues considered but not included in the revenue analysis include income from advertising, and the sales of documents and regulatory materials on the infobase. The list of oil and gas company service providers is vast and the exposure offered by ROL will be sufficient to command a premium for advertising space.

The main avenue of contact to the oil and gas industry will be through the oil and gas industry trade associations, both at the state and the national level. Presentations at regularly scheduled trade association meetings as well as jointly sponsored trade association seminars will be conducted. ROL will also sponsor event at these meetings to establish a presence in the industry. The Petroleum Technology Transfer Council (PTTC) which operates under funding from the U.S. Department of Energy (DOE) and the functional support of the Independent Petroleum Association of America (IPAA), is aware of ROL and is prepared to support it with jointly sponsored technical seminars across the country as it has heretofore conducted with other petroleum technologies. The mission of the PTTC is to disseminate innovative technology to the petroleum industry for the purpose of the advancement of the energy industry in the United States. ROL will, by design, encourage and enhance compliance with all of the regulations that apply to the exploration and production of oil and gas and will therefore entice the PTTC to support the ROL system.

Other state and national oil and gas trade associations will provide similar support through endorsements and promotion. The Texas Independent Producers and Royalty Owners Association (TIPRO) has expressed an interest in ROL and has in the past sponsored seminars with Kelley Engineering (Roger Kelley is CEO of ROL) as a means of providing information to their members and to help build membership. Other potential sponsoring organizations include the Gas Research Institute (GRI) and the Interstate Oil and Gas Compact Commission (IOGCC) . ROL will use and endorse products that these entities have sponsored and developed, e.g. engineering calculation applications and information databases.

ROL will advertise extensively in the widely read periodicals of the oil and gas industry, e.g. Oil and Gas Journal, E&P (IPAA), Oil and Gas Investor, World Oil, Offshore, etc. ROL will also

produce a compact disk based presentation that will be selectively mass mailed to the industry. This promotional CD will contain a narrated presentation of our product, ending with the web site URL which will launch the potential user into a sample Internet session of ROL.

Financial Overview

ROL expects to use the net proceeds from the seed capital funding to propel the company into the first round financing. ROL expects to raise \$1.0 million in seed capital, with which it will hire the skeleton staff necessary to begin providing input into the regulatory model. This initial funding will also provide the resources necessary to begin working on the actual code for the Internet software system. Seed capital is designed to carry the company through the first six (6) months of operation, by which time ROL expects to have secured the second round of funding. The ground work for this round of financing has already been prepared with a few sources of capital, including strategic partners. The first round financing will provide the resources necessary to complete the system development, hire the necessary talent to take the system to market and for the development of services for the client/users on the system.

ROL's revenue sources include site license fees, monthly subscription fees based on well count, advertising, and consulting services.

Revenue Model

ROL's revenue model is based upon the sale of these services through the Internet. ROL will charge an initial license fee to subscribers, for which it will provide initial operations training along with companion training materials (manuals) and a database system that will link with the ROL system. ROL will then charge subscribers a monthly fee based upon the number of wells that the client operates. The billing model is divided into three tiers, to allow for economies of scale for the few large operators. Multiple site licenses will be sold to larger companies that have multiple centers of operation.

According to the aforementioned API study, the industry spends approximately \$820 million annually on environmental regulatory compliance alone. The active well count for the US is approximately 884,000. Based on these figures, the average per well expenditure is \$927 or \$77.00 per well per month. If we take this figure and discount it 25%, then the monthly usage fee or subscription rate for the ROL system is set at \$58.00 per well per month or \$5,800.00 per month for the average customer. ROL will apply this subscription rate to the industry on a sliding scale from the smaller to larger operators in three tiers.

Tier One users represent approximately 92% of the market and operate approximately 736,000 of the wells in the US. The companies in this tier operate an average of 100 wells per company. The other two tiers (two and three) represent 5% and 3% of the market share of the wells respectively. Tier Two users represent approximately 5% of the market and operate about 91,500 of the active wells in the US and Tier Three users represent 3% of the market or 55,000 of the total wells. The billing for each Tier will be established to provide the user with a reasonable economy of scale by applying their well count to a sliding well factor scale.

Business Model

ROL has designed its business model and Internet system to achieve the highest levels of penetration into the market by developing the B2G e-commerce “pipeline” to the government agencies. ROL has secured board members and other contacts that will greatly enhance this opportunity at the private as well as at government levels of contact. By being first into the market and providing the “pipeline”, ROL will be able to achieve the projected market share plus more. ROL will provide links into other regulatory databases to create the one-stop-shop for all of the basic regulatory needs.

In addition to the revenues from Internet sales, ROL expects to generate income from advertising on its very popular web site. This site will be a magnet site for the regulated as a clearinghouse for regulatory information, and as such will achieve high demand as an advertising medium, although the revenues from this source have not been included in the revenue model. ROL also expects some revenues from off-line consulting for those client/users that are not able to solve all of their regulatory needs on-line. These services may range from assistance in data entry and decision making to on-site consulting and agency interaction for those more complicated problems that cannot be solved through standard channels.

ROL plans to exploit the US energy market during the first five years of operation. Once this market is secure, ROL plans to enter into the International energy market. In addition to the energy market, ROL expects to seek out and penetrate any of the regulated industries for which the system applies and that are profitable, e.g. financial and banking, dry cleaning, funeral homes, waste disposal facilities, etc.

ROL anticipates taking this company public prior to or by the fifth year of operation. The net proceeds from this IPO will be used to penetrate these other markets through standard market research and development as well as through acquisition of market share.

(Detailed financials will be provided upon request)

Board Members

ROL has secured a Board of Directors in which each member adds significant expertise to this venture.

W. Marvin Watson is President and CEO of Megahealth, a multi-level marketer of health care products. Mr. Watson's background in government and industry is extensive. He has served as assistant and advisor to the Chairman of the Board for Occidental Petroleum as well as for Lone Star Steel Inc. Mr. Watson has also served in government as the Chief of Staff to US President Lyndon B. Johnson and later as Postmaster General of the United States of America.

Ambassador Jim Jones is a former Congressman from Oklahoma that served as Chairman of the House Budget and Finance Committee, Ambassador to Mexico and most recently as an investment banker and attorney.

Loren Carrol, with extensive experience in the energy business and finance community is currently Chief Executive Officer of Smith International, Inc. a service and equipment provider to the energy industry worldwide.

Michael Cantrel is a past president of the Oklahoma Independent Producers Association, The National Stripper Well Association, and is currently on the executive board of Save

Domestic Oil, an industry special interest organization whose mission is the development of an equitable National Energy Policy for the United States. Mr Cantrel is also past president and owner of Oklahoma Basic Energy Company (OBEC), an independent oil company which he recently sold. Mr. Cantrel has served as an advisor to the Governor of Oklahoma as well as several Congressmen and Senators on energy related matters, as well as government regulatory matters.

J. Roger Kelley comes to ROL with 25+ years experience in the energy industry. Mr. Kelley has worked for two major oil companies as a petroleum engineer and as a regulatory professional, for one regulatory agency and for three environmental consulting firms, two of which he founded. Mr. Kelley has earned three professional degrees (BA, BS, MS) and currently is President and CEO of Kelley Engineering as well as ROL, Inc. He has been involved in many issue specific lobbying efforts both at state and federal levels on behalf of his employers and through the various state and federal-based trade associations.

The Product

ROL is an Internet accessible system designed to assist companies in managing their environmental, safety and regulatory compliance needs. The system will enable a client to assess the compliance requirements for their particular operations, and once those requirements are determined, it will provide the tools necessary to perform the appropriate regulatory compliance tasks. The information and tools will consist of explanations of the regulations, the actual text of the regulations with annotations explaining their significant requirements, information regarding forms, fees and penalties, agency specific contacts, and pROLpt driven compliance procedures. The system will ultimately perform the calculations required to complete the regulatory filings and then populate the agency reporting forms with these results (as electronic filling becomes more available/required, ROL will be building the "pipeline" to make it all happen).

For example, an operator of an oil well desiring to determine the air compliance requirements for a production compressor station would initially log on to the system to find out the regulatory requirements. He would access the "air module" and in that model he would be prompted to enter the facility and equipment specific information, i.e. location, equipment type and specifications (size, horsepower rating, etc.). The system would then respond by providing the user with a list of the applicable regulations for the compressor stations for that particular location and lead the user through a series of questions that will ultimately reveal the regulatory requirements for that facility. From that point, the operator could access more information and tools, including an interactive procedure for complying with the regulations. The full text of the regulations with explanations would also be available to them.

Finally, the user will be asked to enter the necessary data, i.e. equipment specs, facility and site specific data, personnel data, etc). The system in response, would calculate the air emissions associated with this facility and complete the necessary forms and applications for compliance with state and/or federal regulations. These calculations and forms will then be made available in report format to the user for their review, and approval, and electronic submission (the "pipeline") to the relevant government agencies. The same routine would follow for the other regulatory statutes that apply.

In summary, ROL will be a combination of a full-featured interactive website along with offline data-entry companion software. Once ROL has been developed for the Oil and Gas Exploration and Production industry, the same data base system and even the same regulatory and calculation functions can be modified to serve other industries, i.e. coal, electric utilities, the chemical manufacturing industry, the refining industry, and many other industries that are regulated and that require similar compliance activities, reports, etc.

The ROL "Pipeline" (or means of electronic compliance submission) that has been mentioned earlier, is already a concept that has created a high level of interest with the state and federal agencies. Until now, the knowledge base and technology has not been assembled properly to

facilitate such a vehicle. ROL has not only assembled the relevant information, but has initiated contacts with numerous with numerous state and federal agencies who have indicated their willingness to cooperate and embrace this new technology transfer system.

The creation of the "Pipeline" will do three things: 1) increase market share as it will be the preferred method of compliance to governmental agencies; 2) create a significant barrier to entry for those that follow as it is unlikely that governmental agencies would be interested in supporting or funding another company ir system thatwil be a duplication of services; and 3) increase overall regulatory compliance by adding yet another feature to the ROL core software that would make it even easier and less intrusive to file.

Program Architecture

ROL will be designed to provide regulatory compliance support through the previously described interactive process. The user will follow a decision tree analysis type procedure that will walk them through each specific compliance function.

Let's get back to our first niche market and be more specific in order to gain a greater understanding. It will be important to understand that many of the concepts presented in this specific example are homogeneous and can be applied to most industries.

Let us take a look at the example of an oil production company. In order to make the best use of company production information, ROL will establish or create "hot links" (protocols) with programs that provide oil and gas well accounting services, e.g. Excaliber (Prodigy) and Rough Neck, thereby making full use of the existing information in the company data base. These "hot links" will enable the sharing of existing company information, thereby reducing the data entry function. The successful use of these links or protocols is a significant part of the system's function. Data entry methodology will be discussed at the end of this section.

In addition to the generation of compliance data and reports, the regulatory compliance portion of the program will include contact information for the various state and federal agencies in the form of names, addresses, telephone numbers and email addresses for these contacts. This function will also include access to the required reporting forms for spills, releases, upset conditions, accidents, etc. Including other compliance reporting forms required by the state and federal agencies, (i.e. mechanical integrity reports, discharge monitoring reports for NPDES compliance, sundry notices for BLM/MMS reports, production reports, SARA Title III inventory and release reporting forms, etc). These forms will be populated from either the company's information data base and/or from calculations performed using this information.

Also in this portion of the system, ROL will enable the user to access and use industry accepted and government approved calculation routines. One such routine is the Tanks (Chief®) program developed by the EPA to calculate air emissions from chemical and hydrocarbon storage tanks. These calculations are accepted by the federal agencies and sanctioned (and in some cases even required) by various state agencies. Another similar calculation routine is the Glycalc® program developed by the Gas Research Institute (GRI). This program calculates hydrocarbon and hazardous air pollutant air emissions (HAP's) from glycol dehydration units that are used to remove excess water from produced natural gas prior to its sale. Each of these programs are currently being distributed on a cost basis. Through negotiations currently underway, each program may be accessed through a multi-user license for incorporation into the ROL system.

The ROL system will be extremely user friendly, such that even the smallest oil and gas companies (or any other user) will find it easy to work through and obtain their desired goals without the perceived feelings of outsider intrusiveness (i.e. checking out their "dirty laundry")

from consultants or other third parties. In addition to the calculation routines, ROL will provide "strawman" examples for other routine regulatory documents, e.g. Spill Prevention Control and Countermeasure Plans (SPCC), Oil Spill and Emergency Response Plans for environmentally sensitive areas, applications for permits to drill or explore on Federal leases, SARA Title III Compliance reports, etc. These documents will be designed to include the basic requirements for compliance with these types of regulations, without the inclusion of any extra provisions that might cause the user to incur any unnecessary liability. ROL will retain the appropriate legal counsel to manage the risk for this part of the system. Currently Bracewell & Patterson has agreed to be a strategic partner in this capacity, as well as in other functions. .

Companion to the regulatory compliance portion of ROL is a digital library that will provide "fingertip" access to regulatory laws, agency regulations based on these laws, guidance documents from agencies and trade associations, as well as online access to other information services. The digital library portion of the program will provide access to information generated by ROL as well as other commercially available products. ROL will provide links to the web sites of the state and federal agencies. These links will be intelligent links designed to direct the user to the information pertinent to their particular questions. Many of the agency web sites are complicated for the novice user and sometimes even for the veteran user. ROL will have a team that will be dedicated to searching these sites and providing these links using an industry friendly search methodology. In addition, this team will remain current on all regulatory as well as policy developments within these agencies and maintain the program library to reflect those changes, and potential updates. In summary, the digital library of information in ROL will:

- 1) Increase the access to current regulations and greatly reduce the cost of accessing this information through conventional methodology.

- 2)

Other information sources that will be provided include many that are currently commercially available through other services. As the premier and only product that provides the "one-stop shopping" service, these providers are anticipated to allow ROL to maintain and sell these services on a royalty basis. This same arrangement is available for guidance documents provided by agencies and industry trade associations. For example, documents published by the American Petroleum Institute (API) such as recommended practices, standards, etc., may be sold by ROL with a royalty provided to the API for each sale. Publications by the International Standards Organization (ISO) will also be provided. Currently, API and other industry standards are being converted into ISO type standards and made available to the international regulatory community.

ROL plans to be able to provide, wherever appropriate and economical, copies of international standards and regulations in foreign and English translations. Of course these products will be

developed only to meet specific market needs. The regulations, standards, etc. will be provided to the users in an Adobe® type, read-only format.

Another function that will be possible with ROL is electronic submission of all regulatory reports (the "pipeline") wherever such reporting is allowed. ROL plans to obtain DOE and other government source grant monies to assist the states in building the "Pipeline".

Data Entry Technology

ROL is forming a relationship with LeoOne. LeoOne supplies data transmission through Low Earth Orbit Satellites (LEO's). Data transmission to a LEO can occur from any spot in the world. ROL proposes to use hand-held, write-ready devices that can be used by oil and gas company lease operators or gaugers to record and input production data (this also has application in other industries). This data input will be transferred directly, after review by an immediate supervisor or other company designee, into ROL's secured data base for that company. These hand-held computers will enable the lease operator to make changes in equipment and other facility information if necessary, as well as to provide comments pertinent to the operation of the individual wells and production facilities. Companies that use the ROL network will discover tremendous cost savings in the handling of this information. The daily gauge reports will be printed based upon the information that the lease operator inputs. This system will have the capability to calculate oil and gas production given the actual tank gauges, differential pressure readings, etc. in real time. Quality control checks can be employed at whatever level the user desires. The data input, hand-held devices will allow the user to receive production data from any spot on the globe. The same data that is entered using these devices will be routed into the data base that accesses the ROL compliance routines, thereby completing the loop on company's data and regulatory management system.

EXHIBIT 23

ROM

File Edit View Favorites Tools Help

Back Forward Stop Search Folders

Address E:\Kelley Share File 11-15-06\ROM

File and Folder Tasks

- Rename this file
- Move this file
- Copy this file
- Publish this file to the Web
- E-mail this file
- Print this file
- Delete this file

Other Places

- Kelley Share File 11-15-06
- My Documents
- My Computer
- My Network Places

Details

Logos

1139911.01
01 File
177 KB

barriers.entry
ENTRY File
7 KB

Curfiss.res
RESUME File
25 KB

Financials.11-15-00
Microsoft Excel Worksheet
250 KB

Financials.11-17-00
Microsoft Excel Worksheet
252 KB

Flow Diagram
HTML Document
70 KB

Flow Diagram
Microsoft Word
169 KB

Genesis Park ES
Microsoft Word Document
102 KB

Logos
WordPerfect 10 Document
611 KB

logos.prop
Microsoft Word Document
174 KB

news7-200
WordPerfect
26 KB

OnePageSummary
Microsoft Word Document
13 KB

OnePageSummary
WordPerfect 10 Document
12 KB

Revenue.11-16-00
Microsoft Excel Worksheet
27 KB

Roger Kelle
WordPerfect
30 KB

ROL Work
Microsoft
149 KB

ROL Worksheets3
Microsoft Excel Worksheet
505 KB

ROM2
Rich Text F
415 KB

ROM.11.6.1
Microsoft E
248 KB

ROM.9.25.00
Microsoft Excel Worksheet
109 KB

OnePageSummary Properties

General Security Summary

OnePageSummary

Type of file: WordPerfect 10 Document

Opens with: WordPerfect(R) 10 Change...

Location: E:\Kelley Share File 11-15-06\ROM

Size: 11.7 KB (12,056 bytes)

Size on disk: 12.0 KB (12,288 bytes)

Created: Wednesday, November 15, 2006, 3:07:16 PM

Modified: Wednesday, February 28, 2001, 3:45:02 PM

Accessed: Today, January 11, 2007, 12:31:45 PM

Attributes: ☐ Read-only ☐ Hidden Advanced...

start Disconnect... Inbox - Micro... RealPlayer... ROM Business

Executive Summary

Regulatory-On-Line (ROL) is an Internet based, proprietary data management tool that will enable even the least astute to be successful in the area of governmental regulatory compliance. ROL is a full-featured, commerce-enabled, interactive business-to government (B2G) website coupled with offline data-entry companion software. ROL will make it possible for regulated businesses to determine what regulations apply to their operations, enter into a working session that will prompt the user to enter the appropriate information to determine and ultimately accomplish compliance with the rule. The ROL system uses a patented automated system in the calculation and completion of these reports, while providing the user constant oversight during the entire process. The user will be able to file the required compliance reports and information electronically through an electronic pipeline designed for that purpose, thereby completing the B2G aspect of the product.

As an automatic and user friendly system, ROL will allow the businessman to accomplish the regulatory compliance function with minimal input, thereby allowing him to focus on his main business without the worries and uncertainties that are inherent in government regulations. ROL will also allow the businessman to accomplish compliance functions in-house that might otherwise be "out-sourced" at a much greater cost. Using the ROL system provides the user a level of security and confidence that can only be achieved through a professional regulatory staff. The professional ROL team has the level of expertise necessary to provide the user with complete regulatory compliance packages on a much more cost effective basis.

ROL's goal is to come out of the box with a first-to market, ad campaign that will make ROL a household name in the regulated community. Energy will be our first niche market, beginning with the oil and gas exploration and production industry. To achieve this high level of awareness, ROL will utilize the following:

- Key industry trade journals
- Trade association
- Lectures / presentations / show / newsletters,
- Direct mail,
- Internet web-site,
- Outside sales force,
- Testimonials and,
- Letters of intent.

In our ad campaign, ROL plans to use a creative agency as well as a media buying agency to enhance the professional appeal and to cut costs.

ROL is seeking \$2,00,000.00 in seed capital to carry the business through the first six months of development. These funds will be used for creation of the program requirements document, completion of patented software and system development, initial marketing costs, development and support costs and administrative costs. ROL expects to generate net income beginning the _____ month of the 2nd year.

Upon receipt of seed capital, ROL will pursue second round financing of \$18,000,000.00 to be used to enhance the penetration into the initial niche market as well as to pursue the development of other niche markets, i.e. refining-manufacturing, power-retail, banking, and international markets. Cost and revenue models will be developed to determine the profitability of each niche market. The ROL system is readably scalable to these markets with minimal development costs due to the similarities in application.

ROL anticipates raising additional capital through an initial public offering (IPO) by the fifth year. Investors will be issued registered stock that may be redeemed at the time of the IPO.

Comment [DocXchang1]: Page: 2
***DocX Reports Header A-1 text
was:***
Regulatory-On-LineBusiness Plan 2001
J. Roger Kelley281-446-4427
jrkelley@sprintmail.com
End Of Header A-1
***DocX Reports Footer A-1 text
was:***
End Of Footer A-1

EXHIBIT 24

Apr. 10, 2001

Comment [DocXchang1]: Page: 2
***DocX Reports Header A-1 text
was:***
Regulatory-On-LineBusiness Plan 2001
J. Roger Kelley281-446-4427
jrkelley@sprintmail.com
End Of Header A-1
***DocX Reports Footer A-1 text
was:***
End Of Footer A-1

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ROL anticipates raising additional capital through an initial public offering (IPO) by the fifth year. Investors will be issued registered stock that may be redeemed at the time of the IPO.

EXHIBIT 25

ROL

File Edit View Favorites Tools Help

Back Search Folders

Address E:\Kelley Share File 11-15-06\ROL

File and Folder Tasks

- Rename this file
- Move this file
- Copy this file
- Publish this file to the Web
- E-mail this file
- Print this file
- Delete this file

Other Places

- Kelley Share File 11-15-06
- My Documents
- My Computer
- My Network Places

Details

Name	Size	Type	Date Modified
ROL.final	214 KB	WordPerfect 10 Do...	7/26/2001 9:41 AM
Copy of ROL.final	214 KB	WordPerfect 10 Do...	7/26/2001 9:41 AM
ROL Worksheets4	695 KB	Microsoft Excel Wor...	7/25/2001 3:00 PM
Copy of confidential2	12 KB	WordPerfect 10 Do...	5/22/2001 6:08 PM
confidential2	12 KB	WordPerfect 10 Do...	5/22/2001 6:08 PM
Horizontal Drill Tool Concept P...	22 KB	Microsoft Word Doc...	5/21/2001 10:23 AM
ROL Labels-01	1,856 KB	WordPerfect 10 Do...	5/18/2001 11:23 AM
ROL - Sample	52 KB	Microsoft Word Doc...	5/14/2001 12:50 PM
Copy of ROL - Sample			
ROL.final			
Copy of confidential04.26.01			
confidential04.26.01			
HaileyBob			
logos			
VC.lst			
confidential2			
confidential2			
ROL			
OnePageSummary2			
logos			
Preparing Business Plans			
1264129			
ROM2.1			
ROM2B.WPD			
regulatoryonline			
1264129.Patent			
1264129.Patent			
Regulatory Online Managemen...			
ROM2			
OnePageSummary			
OnePageSummary			
Financials			
Corporate Docs			
Axentis			
Plans			
Presentations			
Resumes			
ROL			
Software Development			
Copy of HaileyBob			

HaileyBob Properties

General Security Summary

HaileyBob

Type of file: WordPerfect 10 Document

Opens with: WordPerfect(R) 10 Change...

Location: E:\Kelley Share File 11-15-06\ROL

Size: 11.5 KB (11,871 bytes)

Size on disk: 12.0 KB (12,288 bytes)

Created: Wednesday, November 15, 2006, 3:08:36 PM

Modified: Thursday, April 26, 2001, 6:28:08 PM

Accessed: Today, January 11, 2007, 7:04:32 PM

Attributes: ☐ Read-only ☐ Hidden Advanced...

OK Cancel Apply

File Folder 11/15/2006 3:08 PM

12 KB WordPerfect 10 Do... 4/26/2001 6:28 PM

start

Dis... Pe... ROL Co... Do... W... In... Z1...

Kelley Environmental Engineering, Inc.

Oil and Gas Environmental Specialists

1931 Humble Place, Suite 202
Houston, Texas 77347-9867
281/446-4427

MEMORANDUM

DATE: Thursday, April 26, 2001

TO: Mr. Bob Hainey

COMPANY: Internet Marketing Solution, Inc

FROM: J. Roger Kelley

Re: ROL Business Plan

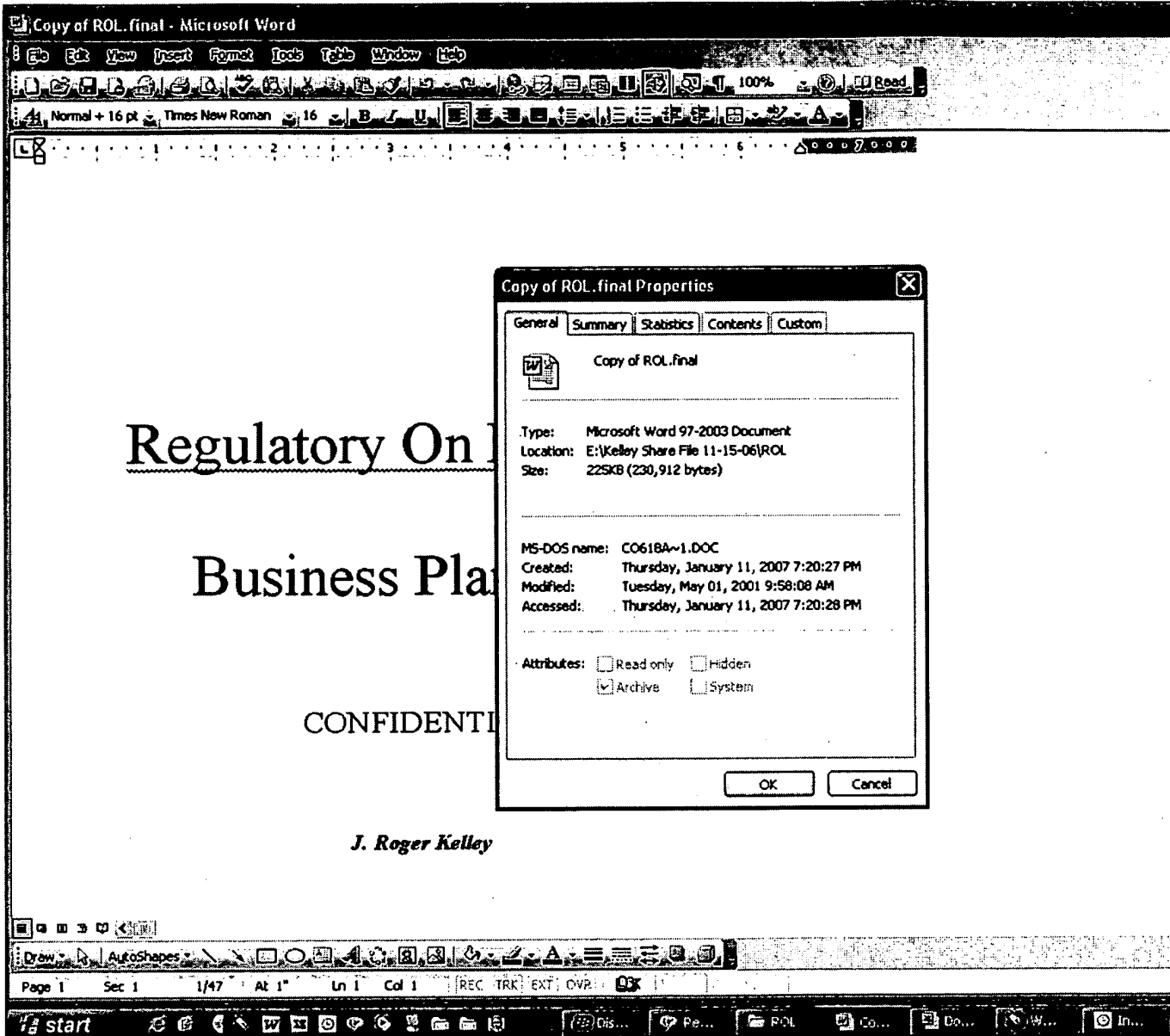
Bob,

Let me know if you have any questions after reviewing this plan. I will be out tomorrow morning but should be in by mid-afternoon. I am in Dallas on Monday but can be reached through my office.

Regards,

Roger Kelley

EXHIBIT 26



Regulatory On Line, Inc.

Business Plan 2001

CONFIDENTIAL

J. Roger Kelley

March 2001

Business Plan Summary

Confidential

- Company:** Regulatory Online, Inc.
1931 Humble Place Drive
Suite 202
Humble, Texas 77338
- Contact:** J. Roger Kelley, President
- Type of Business:** On Line (Internet based) management of regulatory data and regulatory compliance issues.
- Company Summary:** Regulatory Online Manager (ROL) is a next generation worldwide Internet accessible information management system designated to offer industry a fully integrated service solution for managing regulatory compliance issues. This system will operate on the fast developing Internet platform with smart links to the major information centers for any industry (trade associations, agency web sites, information services, etc.) To provide easy access to relevant information. ROL is an on line consultant that will assist the user in determining regulatory needs, providing the tools necessary to fulfil those needs, complete the proper forms, and electronically submit compliance reports to the appropriate regulatory agencies. ROL=s objective is to become the first application of its type in the industry, and to become fully branded as a business to government (B2G) model that will successfully submit results and reports to the target agency.
- Management:** *J. Roger Kelley, CEO*, has worked for two major oil companies as a petroleum engineer and as a regulatory professional, for one regulatory agency and for three environmental consulting firms, two of which he started up and owned. He holds three degrees (BA Biology, BS Chemical Engineering, MS Environmental Science) and

currently is President and CEO of Kelley Engineering as well as ROL Inc. He has been involved in many issue specific lobbying efforts, both at state and federal levels on behalf of his employers and through the various and federal-based trade associates.

Phil Rudd Director of Marketing, has a bachelors degree in business marketing from Millikin University in Illinois. Mr. Rudd has worked as a marketing manager for more than 25 years in the entertainment and technical industries and has been responsible for building successful marketing programs for various organizations. He has also been successful in obtaining funding and starting up a medical gas management company in Oklahoma City, Oklahoma.

**Product Service
and Competition:**

Most of the regulatory assistance software sold currently is available in CD format only and does not offer ROL=s fully automated, one stop functionality. No systems of the magnitude and capability of ROL are available on the market in any format.

Funds Requested:

\$2,000,000.00 in seed capital for the first six months of operation and then \$18,000,000.00 in the second round financing.

Collateral:

None

Use Proceeds:

Startup expenses include salaries, legal consulting expenses to carry the company through second round financing.

Exit:

The company plans to go public within first five years and then the investors can liquidate their positions to the public market to recoup their investment and profits.

***Regulatory-On-Line
J. Roger Kelley***

***Business Plan 2001
281-446-4427
jrkelly@sprintmail.com***

Confidential

Executive Summary

Confidential

Regulatory On Line (ROL) was conceived out of recognized need in the marketplace for a more efficient method of regulatory data management and reporting. Every branch of commerce and industry is subject to a certain level of government regulations in which they must comply in order to stay in business. These regulations apply to numerous facets of normal business function including financial, transportation, environmental, safety, mineral management, etc., depending upon the nature of the targeted industry.

Currently, these regulatory requirements are being managed either by in-house professional staff or by other staff professionals who out source this function to regulatory consultants and/or attorneys, depending upon the size and complexity of the project.

Many software products have been designated to address these regulatory issues, most of which are available on compact disks. A few issue specific applications have even been made available in limited format on the Internet. However, no products have been developed that are equal in scope and application to ROL. ROL is initially designed and targeted for the oil and gas exploration and production (E&P) market, but will be readily scalable to other industry applications.

ROL is an Internet accessible information management system designed to assist most industries worldwide in managing environmental, safety and regulatory compliance issues. As an Internet accessible system, ROL enters the market with many advantages. First, it offers an automated system for regulatory compliance, which represents a substantial savings over any traditional or currently available regulatory compliance methodology. Second, it provides this system on the fast developing Internet platform with smart links to the major information centers for any industry (trade associations, agency web sites, information services, etc.), to provide easy access to relevant information. Third, and most important, ROL acts as an Aon line consultant (a one stop shop) that will assist the user in determining regulatory needs, providing the tools necessary to fulfill those needs and complete the proper forms and electronically submitting compliance reports to the appropriate regulatory agencies. It also provides a rapid compliance reporting mechanism that is instantaneous when the client has impending compliance deadlines to meet.

In order to most efficiently manage the regulatory compliance function; ROL will have the ability to share data with the user's well accounting database system. ROL will

perform regulatory compliance functions by sharing data with the user=s accounting/database systems, while maintaining a companion Internet database of regulatory information calculations. The ROL system will enable users to determine and assess compliance requirements for each scenario presented and will provide the tools necessary to establish regulatory compliance. The ROL system also includes a digital library that will provide the user with a full complement of regulatory information and research services. In essence, ROL will be the fastest, easiest, and most cost effective way to assess regulatory needs, research ways and means to fulfill those needs, and ultimately complete and file the required compliance reports with the appropriate government agency. ROL has had initial indications that regulatory agencies will endorse or support this system, and in fact one state has expressed a written desire to be a test state for the system.

ROL=s revenue model is designed to initially penetrate the oil and gas exploration and production (E&P) market, and is based upon the sale of these services through the Internet. ROL will charge an initial license fee to subscribers, for which it will provide initial operations training along with companion training materials (manuals) and a database system that will link with the ROL system. ROL will also charge subscribers a monthly fee based upon the number of wells that the client operates. This subscription fee has been defined, based upon actual industry expenditures on regulatory matters. According to the most recent API study (1996) on regulatory expenditures in the E&P industry, the average producer is spending approximately \$7,700.00 per month for environmental regulatory issues alone for a total annual market of \$820 million.

ROL has designed its business model and Internet system to achieve the highest levels of penetration into the market by developing the Business to Government (B2G) e-commerce APipeline= to the government agencies. ROL has secured board members and other contacts that will greatly enhance this opportunity at the private as well as the government levels of influence. By being first into the market and providing the APipeline=, ROL will be able to achieve the projected market share plus more. ROL will provide links into other regulatory databases to create the one stop shop for all of the basic regulatory needs.

In addition to the revenues from the Internet sales, ROL expects to generate income from advertising on its increasingly popular web site. This site will become a magnet site for the regulated community and a clearinghouse for regulatory information. In this position, ROL will achieve high demand as an advertising medium, although the revenues from this source have not been included in the revenue model. ROL also expects some revenues from off-line consulting for those client/users that are not able

to solve all of their regulatory needs on-line. These services range from assistance in data entry and decision making, to on-site consulting and agency interaction for those more complicated problems that cannot be solved through standard protocols.

In the Oil and Gas production upstream market niche, ROL will be marketed aggressively through industry trade associations and association-sponsored seminars. Once the oil and gas energy market has been successfully penetrated, ROL will make inroads into the coal, utility, refining-manufacturing, and all other regulated industries, subject to feasibility studies and profit analyses. Due to the similarities among regulatory matters, the ROL system is readily adaptable to other industries, with minimal incremental development expense.

Beyond the need for effective software technology, ROL recognizes the need to build a user-friendly system that will satisfy the needs of even the least computer/Internet literate user. The interface will be designed to fit the industry, rather than requiring the industry to adapt to the system.

ROL has secured the services of Bracewell & Patterson (BP) LLP who have prepared and submitted the patent application and are providing regulatory and corporate legal assistance on a shared equity/deferred billing. BP is ROL's startup law firm. ROL has also conferred with potential strategic technical partners, Xenax and Net.FX, to assist with the software development and information technology (IT) functions on a shared equity basis. ROL is seeking \$2.0 million in seed capital to begin the software and system development, and to launch the marketing program. Upon receipt of this funding, ROL will seek additional first round funding of \$18 million to carry the venture through the first revenues and further development of the energy market.

ROL will ultimately seek public funding through an IPO within the first five years to provide the additional capital necessary to expand to the international market as well as the other targeted regulated industries.

Overview

Confidential

Regulatory On Line (ROL) is a next generation Internet accessible information management system designed to offer industry worldwide, a fully integrated service solution for managing regulatory compliance issues. As an Internet accessible system, ROL enters the market with many advantages. First, it offers a one stop shopping automated system for regulatory compliance that represents a substantial savings over any traditional or currently available means to comply with governmental regulations. Second, it provides this system on the fast developing Internet platform with smart links to the major information centers for many industry trade association, agency web sites, information services, etc., to provide easy access to relevant information. And most importantly ROL acts as an on line consultant that will assist the user in determining regulatory needs, providing the tools necessary to fulfill those needs and complete the proper forms, and where possible, electronically submitting compliance reports to the appropriate regulatory agencies. ROL will be designed to be compatible and share data with available accounting and information management systems. In the performance of these regulatory reporting and compliance functions, ROL will share data with the user's well accounting/database systems, while maintaining a companion Internet database of regulatory information and calculations. The ROL system will enable users to determine and assess compliance requirements and will provide the tools necessary to establish regulatory research services. In essence, ROL will be the fastest, easiest and most cost effective way to assess regulatory needs; research ways and means to fulfill these needs ultimately complete and file the required compliance reports.

ROL's objective is to become the first application of its type on the Internet to market, and to become fully branded as a business to government (B2G) model that will successfully enable the user to perform compliance functions on an automated system and electronically submit those the results to the target agency. This service will be provided to the industry on the order of Quicken⁷ or TurboTax⁷ in a user friendliness, such that even the least technically sophisticated user can be successful.

ROL will exploit two significant advantages in the marketplace. First, the common data base of information combined with automated data entry from existing company data bases will provide an efficiency that will benefit all users, no matter what size or level of technical expertise. Second, the B2G Apipeline will make ROL the only vehicle on the market that provides this rapid reporting service. In being the first to market, ROL will have the opportunity for exclusive use of this pipeline.

To exploit this opportunity, ROL is initially seeking \$2.0 million in seed capital to provide means to move the venture forward. Upon initial seed funding, ROL will begin seeking the remaining \$18 million necessary in the form of second round funding to take the product into the first niche market and to develop future target markets.

The Market: Industry Dynamics

Industry worldwide is faced with a myriad of government regulatory requirements, the application and implementation of which has resulted in a significant impact to their bottom line. In response to this challenge, industry has been required to establish entire departments within their organizations in order to comply with these regulations, ranging in application from basic accounting and financial procedures to the very complex and costly environmental, industrial hygiene, and safety regulations. The staff required to deal with these government requirements include accountants, lawyers, doctors (M.D.s), engineers, chemists, and other associated support staff. The founder of Regulatory On Line (ROL) recognized a need to provide a more efficient and cost effective means of achieving compliance with these regulations. The ROL solution is to revolutionize the way regulatory compliance is accomplished.

Upstream Oil and Gas Exploration and Production Market

The market for ROL is vast. To illustrate this point the following discussion will be centered around ROL's first Niche market (U.S. upstream oil and gas production). Of the 8,000 producers of oil and gas in the U.S.A., more than 7,400 are considered medium to small independents who typically out source the functions that ROL provides. These 8,000 producers operate approximately 884,000 oil and gas wells, each of which has site specific and definite regulatory reporting requirements. ROL will generate revenues based on the number of wells that each user operates. ROL plans to capture 25% of the market of independent oil and gas producers over the first five years of operation. The capture rate increases at a more rapid pace as the Pipeline for electronic document submission becomes the de facto industry standard. The small to medium operators will be attracted to ROL for the cost savings as well as the ease of operation. The larger independent producers, as well as the major oil companies, will use ROL for its innovation in data management as well as the access to up to date and emerging regulatory information, thereby providing much needed regulatory support in every sector of the industry.

In the upstream oil and gas production niche, ROL will be marketed aggressively through industry trade associations and association sponsored seminars. Once the

world wide oil and gas energy market has been successfully penetrated, ROL in Phase II will make inroads into the coal, utility, refining, manufacturing, and all other related industries, subject to feasibility studies and profit analysis.

Beyond the need for effective software technology, ROL recognizes the need to build a user friendly and industry friendly system that will satisfy the needs of even the least technically competent computer/Internet literate user. The interface will be designed to fit the industry, rather than requiring the industry to adapt to the system. In the initial niche market, ROL believes that the potential users will be very diverse:

- ⌘ *Major producers:* The regulatory staff professionals of the major oil and gas producers will use ROL to enhance their effectiveness, thereby enabling them to better address all of their regulatory needs
- ⌘ *Independent Producers:* These companies typically have a limited staff of professionals dedicated to the regulatory function and most have none fully dedicated to this function. Staff members typically perform these duties as an auxiliary function that tends to dilute their mainstay of generating revenue from oil and gas production and marketing. ROL will be sufficiently simple and user friendly in application that a clerk, secretary or other technical type assistant within these organizations will be able to fulfill the regulatory function with minimal input from the revenue generating staff members.
- ⌘ *Regulatory Consultants, Accountants, Lawyers, etc.:* The service sector will find utility in the ROL system for various functions ranging from information gathering to actual compliance functions and report filings of their clients.
- ⌘ *Government Entities* All government agencies that are involved with or affect a sector of industry in ROL's market will find great utility in the services offered by ROL. These entities will use the calculation routines as well as the information services provided by this system.

It is widely recognized that in the changing world of regulatory compliance, most industries find themselves wallowing in a sea of Ared tape. A business to government (B2G) model such as ROL has tremendous potential and has already generated significant excitement among the smallest companies and expanding to top government officials. ROL is the first entity of this magnitude and format to penetrate this space.

Scalable Markets

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Once ROL has developed a system sufficiently to meet the needs of the upstream oil and gas E&P market, the incremental cost to enter other regulated energy markets is much less, thereby enhancing the profitability of the base system. Other energy related markets, (e.g. refining and manufacturing, retail marketing, coal mining, power generation, etc.), will use functional modules very similar, and in some instance, identical to those already developed for the original Aniche \approx market. Further regulatory market development will also take advantage of the software architecture that has already been developed for the energy related applications, thereby allowing adaptation into these markets without creation of a totally new system. The regulatory software models have functional components that are common to all regulatory applications. The only changes will be in the data filters, input criteria and calculation and reporting modules.

The Competition

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For over 20 years, J. Roger Kelley has managed the environmental and regulatory affairs for various oil and gas exploration and production companies. In his quest for a useful regulatory data management and reporting system, he discovered that many single issue programs were available on the market, but none of them offered the flexibility and utility that he required to manage the information for his clients. Each of the available systems required maintenance of separate data bases of duplicate information. It was his knowledge and understanding of this problem that led Mr. Kelley to the idea for ROL as a regulatory, database compliance tool (the phrase AThe Digital Roger≡ has already become somewhat of a company mission). He understands the needs of the industry and has designed the technology of ROL to fit those needs.

ROL has researched many of the search engines, i.e. Lycos, Yahoo, Google, GOTO, and others and has discovered thousands of references to regulatory software combines. On GOTO, ROL discovered approximately 240 web sites that host environmental or regulatory software. However, none of these sites offered service over the Internet. Most regulatory software is distributed on CD format or through direct download, but not as an Internet service. Neither did these systems offer data-based link that would facilitate sharing of data with other systems. The State of Louisiana is beginning to offer drilling permits that may be completed and submitted through their State web site. The Louisiana program is set up to receive the required data on Microsoft Excel format, as do many other systems.

Business Strategy

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ROL=s objective is to become the first Internet service provider of its type to market, and to become fully branded as a business to government (B2G) model that will successfully enable the user to perform compliance functions on an automated system and electronically submit the results to the target agency. To achieve this objective, ROL=s strategy is comprised of the following key elements:

- ⌘ Be first to market with fully integrated, next generation Internet-based compliance solution for the regulated industry, using combination of a full featured, commerce enabled, interactive B2G website along with offline data entry companion software.
- ⌘ To obtain an intellectual property patent for ROL using Bracewell & Patterson LLP, for the patent work.
- ⌘ Begin with the E&P energy market and capture 25% market share during the first five years of operation.
- ⌘ Work with the government regulatory agencies to develop a pipeline between ROL and these agencies for the electronic submission of reports, applications, etc. Have the first and most accessible vehicle available to access this Apipeline=.
- ⌘ To seek government funding from DOE, EPA and other federal agencies to assist in the development of the electronic Apipeline=. This Apipeline= will present a significant benefit to the government regulatory agencies in encouraging compliance and reducing record-keeping costs.
- ⌘ Strategically partner with technology providers to secure state of the art technology for ROL system. Build an on-going relationship with these strategic partners to assist in the development of future systems and in providing upgrades to the existing systems.
- ⌘ Enter other upstream as well as downstream energy markets during the first five years of operation. Rapidly penetrate other markets with minimal incremental development costs by exploiting ROL=s efficient and scalable design.

- 3 Seek other regulated industry markets that fit the ROL business model for profitability and use. Confidential
- 3 Take ROL public within the first five years and enter into the international market.

Execution of Business Strategy

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Milestones

Begin With the Upstream Energy Market

ROL will begin by building a development team for the upstream energy market. This team will consist of regulatory professionals from this sector of the industry. ROL will hire a team leader or director that has high-level industry experience in regulatory affairs. The team leader will be assisted by managers with expertise in the areas of environmental, safety, minerals management, and proration accounting. Each of these managers will be responsible for developing the data input for the modules designed in their area of expertise. As the need arises, each manager will be provided a team of associates to help in these tasks. These associates and manager will also be trained for future use on other market systems.

ROL will acquire a team leader or director during the first month of operation for the upstream energy market. This director will begin working with the CEO to find managers for each of the regulatory issues being developed in this phase of the system. These managers should be in place and functioning by the end of the second month and ready to supply input to the program for the preparation of code. The upstream energy system will be up and running by the end of the first year. Marketing will begin with the trade association meetings in the 5th month of the Year One, (May 2001). Following these meetings which run through July, individual seminars will be organized in the target states to market the system. First revenues will be expected in the 12th month from the upstream energy market.

Funding

ROL is seeking \$2.0 million to carry it through the first six months of operation. During that period of time, ROL will be seeking second round funding of \$18 million to carry the project through profitability and ultimately to the IPO stage.

Marketing

ROL will market the system through key industry trade journals, trade association lectures, presentations, trade shows, newsletters, direct mail, internet web site, outside sales force, and letters of intent/testimonials. The initial upstream module will be on

line and ready for sales by the end of the first year. The market will be developed in the major oil and gas producing states initially, and then ultimately to the entire United States. The Petroleum Technology Transfer Council (PTTC) along with the Independent Petroleum Association of America (IPAA) and other state oil and gas trade associations have been called upon to assist in this effort and have expressed significant interest in this product.

ROL expects to penetrate this Aniche≡ market at an average rate of 5% per year for the first five years of operation. The digital Apipeline≡ will greatly enhance our ability to do so. ROL will have the only vehicle available of this magnitude that will be able to service this Apipeline≡. The Apipeline≡ concept has been much talked about in the regulatory industry community, but has never been accomplished in the magnitude that ROL is proposing.

Developing Other Markets

ROL plans to enter the downstream energy market, namely retail marketing, power generation, refining and manufacturing. All of these industries have needs that are sufficiently similar to those of the upstream energy market, making this product very scalable. Movement into these areas may be accomplished with minimal incremental cost.

ROL plans to begin development on the retail marketing power generation compliance system at the beginning of the second year and begin marketing this system at the beginning of the third year. At the same time, ROL plans to begin development of the refining and manufacturing system at the end of the second year, with plans to go to market at the 3-1/2 year time point. The refining and manufacturing system is somewhat more complex than the other systems and will take longer to design and implement.

Secondary energy sectors that will be researched and embarked upon, if the market proves to be prolific, are the coal and uranium mining and processing industries.

Given this marketing plan, ROL will have captured the majority of the Alow hanging fruit≡ of energy industry. The strategy from that point will be to enter other regulated industries in the United States and international markets.

The Market

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The ROL market is the entire regulated community. The initial target market for ROL is the upstream energy market. According to IPAA statistics, there are approximately 8,000 oil and gas companies varying in sizes in the U.S. alone, all of which represent potential users of the ROL system. Of these 8,000 producers, over 7,400 are considered medium to small independents who typically out source the functions which ROL provides. Based on API statistics, this average producer operates approximately 100 oil and/or gas wells. The remainder of this number consists of large independent producers and major oil companies. Within this market, the potential user operators range from the smaller independent operators that are not currently complying with all of the regulatory requirements out of fear, i.e. fear of unknown costs and potential consequences of compliance; to the very sophisticated operators that are in need of tools to manage the enormous volume of regulatory data and reports that are required. These 8,000 producers operate approximately 884,000 oil and gas wells in the United States. Each well has specific and varying regulatory reporting requirements.

The environmental, safety and regulatory needs of this market are twofold. First, there is a clear need for a reduction in regulatory compliance costs. Under the increasingly unstable oil and gas market, producers are constantly looking for ways to reduce overall production costs, one of which is regulatory compliance. ROL presents a more efficient and cost effective way to manage these compliance issues. According to the American Petroleum PIPE Study, over the five year period prior to 1996, the E&P industry spent an average of \$736 million per year on environmental operational issues alone, excluding capital expenditures and rededication costs. These figures translate to an average annual expenditure for the average sized independent of over \$7,400.00 per month. For the year 1996, this figure had escalated to \$820 million or over \$7,700.00 per company (\$77.30 per well). With the increase in government regulations since that time, the costs have not decreased. It should be noted that these cost figures do not include expenditures for other regulatory compliance issues, (e.g. safety, regulatory, DOE, etc.) These figures represent only those associated with environmental compliance. ROL will allow this same size company to manage these regulatory issues completely in house over the Internet service for a significantly discounted overall annual cost.

In addition to the cost reductions, there exists a need in the industry to increase the level of environmental, safety and regulatory compliance among its member companies. Increased compliance enhances the industry's position with the public, regulatory, and

legislative sectors. The public relations issue is becoming more and more critical under the current market and political environments.

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ROL will streamline compliance efforts by providing a quick and easy way for producers to determine their regulatory obligations without having an intimate and in depth understanding of these regulations and how they apply. ROL provides an automated system that, combined with the company=s existing well accounting systems, will allow the user operator to generate reports and filings, as well as perform the necessary engineering calculations. It will, by design, serve as an educational tool to increase the users awareness of the issues.

Briefly, the benefits of the system include:

- 3 Increased environmental, health and safety awareness through technology
- 3 Increased co operation with the agencies and compliance with the regulations, thereby reducing the risk exposure
- 3 Reduction in overall compliance cost (time & money)
- 3 Improved public perception through pro-active environmental, safety, and regulatory efforts

As a benefit to government, ROL will, by design, provide a system that will generate statistical information to the Department of Energy and other interested agencies, regarding the relative effectiveness of certain regulations. This data will enable them to evaluate trends in reporting, enforcement, compliance, etc. This information will allow both government and the industry to evaluate the utility of a particular regulation or the regulatory process in general, thereby leveling the playing field between these two factions and providing a more informed working relationship.

Our Position in the Market

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ROL enters the market as a sole source provider of the Internet based regulatory consulting services. The Internet has evolved to a point where the general public is comfortable with finding information and making purchases over the web. By offering this service on the Internet, ROL exploits the Ae-commerce= business to government (B2G) sales model which offers a product for sale to businesses on the Internet and electronic transmission (pipeline) of that product to the appropriate governmental agency, while at the same time offering other value added enhancements that draw users to the site. An Internet provider achieves success by providing a wide selection of services at attractive prices along with an effortless experience. Success will be realized by delivering higher levels of service through the Internet than users can currently obtain from a consultant (in person), but at a reduced cost with other enhancements. ROL can provide valuable services inexpensively and at a more comfortable level. Many of the smaller to medium size companies have a fear of the potential (unknown) costs and method, from the standpoint of both cost and liability, of researching and evaluating regulatory needs.

ROL will build an Internet (magnet) site providing links to other products, services, government agencies, etc. Partnerships and alliances will be created with other non-competitive providers of information and services to establish the critical mass needed to become an industry magnet. In essence, ROL will syndicate these information resources and provide them as a service to the users. ROL will use dedicated search engines, tied in with other web sites through smart links, to help the user to find the information and services. In order to provide users with value added information and assistance, ROL will provide answers to frequently asked questions for each module or category. ROL will use all of these information resources to attract clients and to generate new sources of revenue, such as advertising and/or sales of complementary products and services. The anticipated result of providing value added information on the ROL web site will be to consolidate parts of the value chain. With this approach, ROL will reduce costs for clients by reducing the number of entities they have to deal with in the value chain, thereby making the entire site more attractive to advertisers, and user friendly to clients.

How ROL Will Capture Market Share In Its First Niche Market:
The Upstream Oil and Gas Energy

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ROL plans to capture at least 25% of the market over a five year period. The capture rate will increase at a more rapid pace as the Apipeline[®] for document submission becomes the defacto industry standard. ROL revenues will be based mainly on client usage, which is in turn driven by the well count. The primary market for ROL in this niche is the smaller producer (average 100 wells). This segment represents more than 85% of the wells in the United States.

The client/user will pay an initial site licensing fee of \$2,500.00, cost per well per month (see revenue model). Other sources of revenues considered but not included in the revenue analysis include from advertising, and the sales of docents and sufficient to command a premium for advertising space.

The main avenue of contact to the oil and gas industry will be through the oil and gas industry trade associations, both at the state and the national level. Presentations at regularly scheduled trade association meetings as well as jointly sponsored trade association seminars ill be conducted. ROL will also sponsor event at these meetings to establish a presence in the industry. The Petroleum Technology Transfer Council (PTTC) which operates under funding from the U.S. Department of Energy (DOE) and the functional support of the Independent Petroleum Association of America (IPAA), is aware of ROL and is prepared to support it with jointly sponsored technical seminars across the country as it has heretofore conducted with other petroleum technologies. The mission of the PTTC is to disseminate innovative technology to the petroleum industry for the purpose of the advancement of the energy industry in the United States. ROL will, by design, encourage and enhance compliance with all of the regulations that apply to the exploration and production of oil and gas and will therefore entice the PTTC to support the ROL system.

Other state and national oil and gas trade associations will provide similar support through endorsements and promotion. The Texas Independent Producers and Royalty Owners Association (TIPRO) has expressed an interest in ROL and has in past sponsored seminars with Kelley Engineering (Roger Kelley is CEO of ROL) as a means of providing information to their members and to help build membership. Other potential sponsoring organizations include the Gas Research Institute (GRI) and the Interstate Oil and Gas Compact Commission (IOGCC). ROL will use and endorse products that these entities have sponsored and developed, e.g. engineering calculation applications and information databases.

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In Summary the marketing plan is as follows:

ROL will advertise extensively in the widely read periodicals of the oil and gas industry, e.g. Oil and Gas Journal, E&P (IPAA), Oil and Gas Investor, World Oil, Offshore, etc. ROL will also produce a compact disk based presentation that will be selectively mass mailed to the industry. This promotional CD will contain a narrated presentation of our product, ending with the web site URL which will launch the potential user into a sample Internet session of ROL. ROL will become known very quickly in the industry by maintaining large presence at all trade association meetings, shows, committees and sponsorships. Continuing exposure will be acquired by involvement in lectures and presentations on the latest regulatory issues and requirements.

Financial Overview

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ROL expects to use the net proceeds from the seed capital funding to propel the company into the first round financing. ROL expects to raise \$2.0 million in seed capital, with which it will hire the staff necessary to begin providing input into the regulatory model. This initial funding will also provide resources necessary to begin building on the working code for the Internet software system. Seed capital is designed to carry the company through the first (6) six months of operation, by which time ROL expects to have secured the second round of funding. The ground work for this round of financing has already been prepared with a few source of capital, including strategic partners. The second round financing will provide the resources necessary to complete the system development, hire the necessary talent to take the system to market and for the development of series for the client/users of the system.

ROL=s revenue sources will include site license fees, monthly subscription fees based on well count, advertising, and consulting services.

Revenue Model

ROL=s revenue model is based upon the sale of these services through the Internet. ROL will charge an initial license fee to subscriber, for which it will provide operations training along with companion training materials (manuals) and a database system that will link with the ROL system. ROL will then charge subscribers a monthly fee based upon the wells that the client operates. The billing model is divided into three tiers, to allow for economies of scale for the few large operators. Multiple site licenses will be sold to larger companies that have multiple centers of operation.

According to the referenced API - APIPE study, the industry spends approximately \$820 million annually on environmental regulatory compliance alone. The active well count for the US is approximately 884,000. Based on these figures, the average per well expenditure is \$927 or \$77.00 per well per month. If we take this figure and discount 55%, then the monthly usage fee or subscription rate for the ROL system is set at \$35.00 per well per month or \$3,500.00 per month for the average customer. ROL will apply this subscription rate to the industry on sliding scale from the smaller to larger operators in three tiers.

Tier One users represent approximately 92% of the market and operate approximately 736,000 of the wells in the US. The companies in this tier operate an average of 100

wells per company. The other two tiers (two and three) represent 7.9% and 0.1% of the market share of the wells respectively. Tier Two users represent approximately 7.9% of the market and operate about 107,000 of the active wells in the U.S. and Tier Three users represent 0.1% of the market or 48,000 of the total wells. The billing for each Tier will be established to provide the user with a reasonable economy of scale by applying their well factor scale.

Business Model

ROL has designed its business model and Internet system to achieve the highest levels of penetration into the market by developing the B2G e-commerce Apipeline to the government agencies. ROL has secured board members and established other contacts that will facilitate this opportunity at the private as well as at government levels of contact. By being the first into the market and providing the Apipeline, ROL will be able to achieve the projected market share plus more. ROL will provide links into other regulatory databases to create the Aone-stop shop for all of the basic regulatory needs.

In addition to the revenues from the Internet sales, ROL expects to generate income from advertising on its very popular web site. This site will be a magnet site for the regulated community as well as a clearinghouse for regulatory information. In this position, the ROL web site will achieve high demand as an advertising medium, although the revenues from this source have not been included in the revenue model. ROL also expects revenues from off line consulting for those client/users that are not able to solve their regulatory needs on line. These services may range from assistance in data entry and decision making to on site consulting and agency interaction for those more complicated problems that cannot be solved through standard methodology.

ROL plans to exploit the US energy market during the first five years of operation. Once this market is secure, ROL plans to explore and enter the International energy market. In addition to the energy market, ROL expects to seek out and penetrate all regulated industries in which this system has application and which are profitable, e.g. financial and banking, dry cleaning, funeral homes, waste disposal facilities, etc.

ROL anticipates taking this company public prior to or by the fifth year of operation. The net proceeds from this IPO will be used to penetrate these other markets through standard research and development as well as through acquisition of market share.

Financial Projections

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The first year financial projections are presented in Appendix D. According to these projections, ROL will require a maximum actual net cash contribution of approximately \$11 million during the second year, but will achieve a net positive cash flow during the third year. ROL is requiring a total investment of \$20 million to provide sufficient capital to successfully carry the venture through profitability.

Board Members

ROL has established a preliminary Board of Directors in which each member adds significant expertise to this venture.

W. Marvin Watson is President and CEO of Megahealth, a multi level marketer of health care products. Mr. Watson's background in government and industry is extensive. He has served as assistant and adviser to the Chairman of the Board for Occidental Petroleum as well as for Lone Star Steel Inc. Mr. Watson has also served in government as the Chief of Staff to US President Lyndon B. Johnson and later as Postmaster General of the United States of America.

Ambassador Jim Jones is a former Congressman from Oklahoma that served as Chairman of the House Budget and Finance Committee, Ambassador to Mexico and most recently as an investment banker and attorney.

Loren Carrol, with extensive experience in the energy business and finance community is currently Chief Executive Officer of Smith International, Inc., a service provider to the energy industry worldwide.

Michael Cantrel is a past president of the Oklahoma Independent Producers Association, The National Stripper Well Association, and is currently on the executive board of Save Domestic Oil, an industry special interest organization whose mission is the development of an equitable National Energy Policy for the United States. Mr. Cantrel has served as an advisor to the Governor of Oklahoma as well as several congressmen and Senators on energy related matters, as well as government regulatory matters.

J. Roger Kelley comes to ROL with 25+ years experience in the energy industry. Mr.

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Kelley has worked for two major oil companies as a petroleum engineer and as a regulatory professional, for one regulatory agency and for three environmental consulting firms, two of which he founded. Mr. Kelley has earned three professional degrees (BA, BS, MS) and currently is President and CEO of Kelley Engineering as well as ROL, Inc. He has been involved in many issue lobbying efforts, both at state and federal levels of his employers and through the various state and federal trade association.

The Product

ROL is Internet accessible system designed to assist companies in managing their environment, safety and regulatory compliance needs. The system will enable a client to assess the compliance requirements for their particular operations, and once those requirements are determined, it will provide the tools necessary to perform the appropriate regulatory compliance tasks. The information and tools will consist of explanations of the regulations, the actual text of the regulation with annotations explaining their significant requirements, information regarding forms, fees and penalties, agency specific contacts, and ROL driven compliance procedures. The system will ultimately perform the calculations required to complete the regulatory fines and then populate the agency reporting forms with these results (as electronic filing becomes more available/required, ROL will construct the Apipeline[≡] to make it all happen).

For example, an operator of an oil well desiring to determine the air compliance requirements for a production compressor station would initially log on to the system to find out the regulatory requirements. He would access the Aair module[≡] and in that model he would be prompted to enter the facility and equipment specific information, i.e. location, equipment type and specifications (size, horsepower rating, etc.). The system would then respond by providing the user with a list of the applicable regulations for the compressor stations for that particular location and lead the user through a series of questions that will automatically reveal the regulatory requirements for that facility. From that point, the operator could access more information and tools, including an interactive procedure for complying with the regulation. The full text of the regulations with explanations would also be available to them.

Finally, the user will be asked to enter the necessary data, (i.e. equipment specs, facility and site specific data, personnel data, etc.). The system in response, would calculate the air emissions associated with this facility and complete the necessary forms and applications for compliance with state and/or federal regulations. These calculations and forms will then be made available in report format to the user for their review, and approval, and electronic submission (the Apipeline[≡]) to the relevant government agencies. The same routine would follow for the other regulatory statutes that apply.

In summary, ROL will be a combination of a full featured interactive website along with offline data entry companion software. Once ROL has been developed for the Oil and Gas Exploration and Production industry, the same data base system and even the same regulatory and calculation functions can be modified to serve other industries, i.e. coal, electric utilities, the chemical manufacturing industry, the refining industry, and

many other industries that require similar compliance activities, reports, etc.

The ROL Apipeline[®] (or means of electronic compliance submission) that has been mentioned earlier, is already a concept that has created a high level of interest with the state and federal agencies. Until now, the knowledge base and technology has not been assembled properly to facilitate such a vehicle. ROL has not only assembled the relevant information, has initiated contacts with numerous state and federal agencies who have indicated their willingness to cooperate and embrace this new technology transfer system.

The creation of the Apipeline[®] will do three things: 1) increase market share as it will be preferred method of compliance to governmental agencies; 2) create a significant barrier to entry for those that follow as it is unlikely that governmental agencies would be interested in supporting or funding another company or system that will be a duplication of services; and 3) increase overall regulatory compliance by adding yet another feature to the ROL core software that would make it easier and less intrusive to file.

Program Architecture

ROL will be designed to provide regulatory compliance support through the previously described interactive process. The user will follow a decision tree analyses type procedure that will walk them through each specific compliance function.

Let's go back to our first niche market and be more specific in order to gain a greater understanding. It will be important to understand that many of the concepts presented in this specific example are homogenous and can be applied to most industries.

Let us take a look at the example of an oil production company. In order to make the best use of the company production information, ROL will establish or create Ahot links≡ (protocols) with programs that provide oil and gas well accounting services, e.g. Excaliber (Prodigy) and Rough Neck, thereby making full use of the existing information in the company data base. The Ahot links≡ will enable the sharing of existing company information, thereby reducing the data entry function. The successful use of these links or protocols is a significant part of the system's function. Data entry methodology will be discussed at the end of this section.

In addition to the generation of compliance data and reports, the regulatory compliance portion of the program will include contact information for the various state and federal agencies in the form of names, addresses, telephone numbers and email addresses for these contacts. This function will also include access to the required reporting forms for spills, releases, upset conditions, accidents, etc., including other compliance reporting forms required by the state and federal agencies, (i.e. mechanical integrity reports, discharge monitoring reports for NPDES compliance, sundry notices for BLM/MMS reports, production reports, SARA Title III inventory and release reporting forms, etc). These forms will be populated from either the company's information database and/or calculations performed using this information.

Also in this portion of the system, ROL will enable the user to access and use industry accepted and government approved calculation routines. One such routine is the Tanks (Chief) program developed by the EPA to calculate air emissions from chemical and hydrocarbon storage tanks. The calculation are accepted by the federal agencies and sanctioned (and in some cases even required) by various state agencies. Another similar calculation routine is the Glycalc program developed by the Gas Research (now Gas Technology)Institute (GRI). This program calculates hydrocarbon and hazardous air pollutant air emissions (HAP=s) from glycol dehydration units that are used to remove excess water from produced natural gas prior to its sale. Each of these programs are currently being distributed on a cost basis. Through negotiations

currently underway, each program may be accessed through a multi user license for incorporation into the ROL system.

The ROL system will be extremely user friendly, such that even the smallest oil and gas companies (or any other user) will find it easy to work through and obtain desired goal without the perceived feelings of outsider intrusiveness (i.e. checking out their Adirty laundry≡) from consultants or other third parties. In addition to the calculation routines, ROL will provide Astrawman≡ examples for other routine regulatory documents, e.g. Spill Prevention Control and Countermeasure Plans (SPCC), Oil Spill Emergency Response Plans for environmentally sensitive areas, applications for permits to drill or explore on Federal leases, SARA Title III Compliance reports, etc. These documents will be designed to include the basic requirements for compliance with these types of regulations, without the inclusion of any extra provisions that might cause the user to incur unnecessary liability. ROL will retain the appropriate legal counsel to manage the risk this part of the system. Currently Bracewell & Patterson has agreed to be a strategic partner in this capacity, as well as in other functions..

Companion to the regulatory compliance portion of ROL is a library of digital library that will provide Afingertip≡ access to regulatory laws, agency regulations based on these laws, guidance documents from agencies and trade associations, as well as online access to other information services. The digital library portion of the program will provide access to information generated by ROL as well as other commercially available products. ROL will provide links to the web sites of the state of federal agencies. These links will be intelligent links designed to direct the user to the information pertinent to their particular questions. Many of the agency web sites are complicated for the novice user and sometimes even for the veteran user. ROL will have a team that will be dedicated to searching these sites and providing these links using an industry friendly search methodology. In addition, this team will remain current on all regulatory as well as policy developments within these agencies and maintain the program library to reflect those changes, and potential updates. In summary, the digital library of information in ROL will:

- 1) Increase the access to current regulations and greatly reduce the cost of accessing this information through conventional methodology.
- 2) Allow anyone to gain access to needed records with an user friendly search engine.

Other information sources that will be provided include many that are currently commercially available through other services. As the premier and only product that provides the Aone stop shopping≡ service, these providers are anticipated to allow ROL to maintain and sell these

services on a royalty basis. This same arrangement is available for guidance documents provided by agencies and industry trade associations. For example, documents published by the American Petroleum Institute (API) such as recommended practices, standards, etc., may be sold by ROL with a royalty provided to the API for each sale. Publications by the International Standards Organization (ISO) will also be provided. Currently, API and other industry standards are being converted into ISO type standards and made available to the international regulatory community.

ROL plans to be able to provide, wherever appropriate and economical, copies of international standards and regulations in foreign and English translations. Of course these products will be developed only to meet specific market needs. The regulations, standards, etc. will be provided to the users in an Adobe⁷ type, read only format.

Another function that will be possible with ROL is electronic submission of all regulatory reports (the Apipeline[≡]). ROL plans to obtain DOE and other government source grant monies to assist in the states in building the Apipeline[≡].

Data Entry Technology

ROL is forming a relationship with LeoOne. LeoOne supplies data transmission through Low Earth Orbit Satellites (LEOS). Data transmission to LEO can occur from any spot in the world. ROL proposes to use hand held, write ready devices than can be used by oil and gas company lease operators or gaugers to record an input production data (this also has application in other industries). This data input will be transferred directly, after review by an immediate supervisor or other company designee, into ROL=s secured database for that company. These hand held computers will enable the lease operator to make changes in equipment and other facility information if necessary, as well as to provide comments pertinent to the operation of the individual wells and production facilities. Companies that use the ROL network will discover tremendous cost saving in the handling of this information. The daily gauge reports will be printed based upon the information that the lease operator inputs. This system will have the capability to calculate oil and gas production given the actual tank gages, differential pressure reading, etc. in real time. Quality control checks can be employed at whatever level the user desires. The data input, hand held devices will allow the user to receive production data from any spot on the globe. The same data that is entered using these devices will be routed into the database that accesses the ROL compliance routines, thereby completing the loop on company=s data and regulatory management system. ROL is forming a relationship with LeoOne. LeoOne supplies data transmission through Low Earth Orbit Satellites (LEOs). Data transmission to a

LEO can occur from any spot in the world. Other monitoring information can be retrieved and managed using this same system.

Detailed Marketing Plan

Objective: To saturate the Oil and Gas Producers market with a high awareness of the ROL product.

Strategies: Monthly trade publication ads with prominent, full page, four color placements.

Direct Mail.

Prominent third party endorsements.

Lecture and demonstration tours.

Web Site Sampler

CD Sampler

Outside Sales Representatives

Programs:

Trade Publications

The following trade publications will be used with high degree of frequency and priority full page color ad placements:

Harts E&P

The Oil & Gas Journal

The Oil & Gas Investor

Offshore Magazine

PetroMin

Offshore Engineer

Hart=s Regional Oil Directories

Houston/Texas Oil Directory

Total monthly exposure will be approximately 250,000 with duplicate exposure in most key decision making positions. This will enforce the high awareness needed to expose this product to the market.

The ads will be designed by a graphics agency with input from ROL on the positioning and content. The primary message will be: User Friendly, Cost Savings, and Timely. All ads will carry the same thematics each month to increase the top of mind awareness. Bright colors and exciting photographs will be used to draw the reader=s attention. The ads will promote ROL=s website and 1 800 number.

All placements will be completed by a media buying agency. Media buying agencies have stronger buying power and can get better placement. A negotiated percentage return from the agency commission will be determined as the agencies are interviewed and their proposals received.

Trade Association Lectures and Presentations/ Shows/ Newsletters

A team of ROL experts will make the rounds of the state Oil & Gas associations to demonstrate the features and benefits of the program with emphasis on savings, easy to use, and timeliness of the reporting. There will be ads placed in the state association newsletters as well as articles written to point out the need for services such as ROL.

Roger Kelley will also be a featured speaker at the meetings as well as the national conventions and shows. Roger=s lecture will not be a sales pitch. The presentation will concentrate on the many requirements of reporting from the different regulatory agencies. ROL will have a booth at all national and state shows. This will require using several of our resources to man the booth when there are several state shows at the same time.

The display will feature a self-contained, independent system for demonstrations of the software and the reporting formats. A large screen with LCD projector will be the focal point of the booth. All demonstrations on the notebook will appear on the booth=s screen.

Direct Mail

Key independent producers will be identified and mailed a demo CD ROM disc

that will give a quick demonstration and sales pitch for ROL=s service. The end of the demonstration will automatically take them to ROL=s Website, which will have an RFP.(request for proposal) page for them to fill out and email to ROL. The cover of the mailer will be a 4 color high quality piece that will have one liner verbiage that states key words such as Accurate, Easy To Use, Cost Effective, Supported by the EPA, TIPRO, OIPA etc.

After the initial mailing there will be a monthly mailing to each of the identified companies to increase the awareness of the ROL program. These mailings will be in newsletter form to guide the reader to our website for further information.

Outside Sales

In the 8th month we will hire a salesperson that is familiar with the Oil and Gas industry and the regulatory processes. This person will be assigned to the approximately 650 medium sized to large sized independent producers. The goal will be to sell the small producers through the associations, presentations, and the website. The salesperson will make personal calls to the medium and large producers and demonstrate the service to the key decision makers at these companies. Compensation will be a base salary plus commission. The commission will be paid on the revenues produced by the companies signed by the salesperson on all subsequent usage charges after it is collected.

Endorsements

Governmental regulatory agencies have given ROL a nod in favor of our program. We will use this as an endorsement and strive to get a more interactive relationship with agencies such as EPA , DOE, DOT, and OSHA..

We will also strive to receive endorsements from the major National and State Oil and Gas Associations (i.e. IPAA, TIPRO, and OIPA). These endorsements will give ROL=s service more integrity than any advertising we can buy. Of course, these endorsements will be used in all marketing and advertising campaigns.

PROJECTED BALANCE SHEETS

	End of Year				
	1	2	3	4	5
ASSETS					
CURRENT ASSTS					
Cash	15,666,736	9,065,621	25,467,429	77,177,825	130,431,591
Accounts Receivable	0	1,886,525	7,358,204	10,160,942	10,802,279
TOTAL CURRENT ASSETS	15,666,736	10,952,146	32,825,633	87,338,767	141,233,870
PROPERTY AND EQUIPMENT					
Equipment	203,000	328,000	465,000	530,000	583,000
Furniture	71,000	116,000	165,000	190,000	211,000
	274,000	444,000	630,000	720,000	794,000
Less: Accumulated depreciation	(34,747)	(122,128)	(247,187)	(399,583)	(569,717)
NET PROPERTY AND EQUIPMENT	239,253	321,872	382,812	320,417	224,283
OTHER ASSETS	265,000	320,004	260,408	240,974	221,707
TOTAL ASSETS	16,170,989	11,594,022	33,468,853	87,900,158	141,679,860
LIABILITIES AND MEMBERS' EQUITY					
CURRENT LIABILITIES					
Accounts Payable	279,885	504,521	177,659	646,636	527,045
TOTAL CURRENT LIABILITIES	279,885	504,521	177,659	646,636	527,045
MEMBERS EQUITY					
Capital Stock	20,025,000	20,025,000	20,025,000	20,025,000	20,025,000
Retained Earnings	(4,133,896)	(8,935,499)	13,266,194	67,228,522	121,127,815
TOTAL OWNERS' EQUITY	15,891,104	11,089,501	33,291,194	87,253,522	141,152,815
TOTAL LIABILITIES AND MEMBERS' EQUITY	16,170,989	11,594,022	33,468,853	87,900,158	141,679,860

PROJECTED STATEMENTS OF OPERATIONS

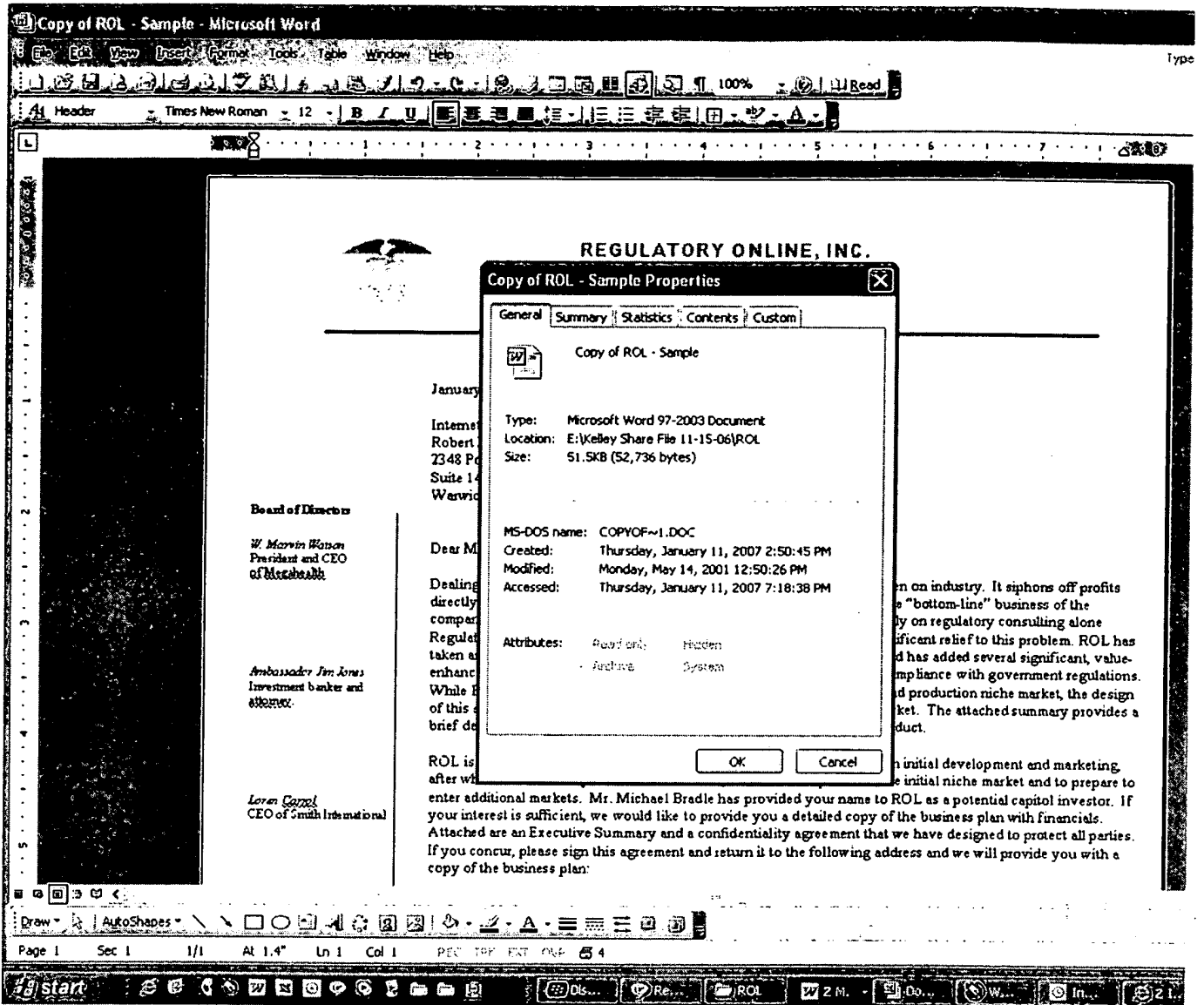
	End of Year				
	1	2	3	4	5
REVENUES					
Usage fees	0	6,074,460	40,345,985	10,160,942	91,892,117
Licenses	0	840,000	2,300,000	77,499,386	480,000
TOTAL REVENUES	0	6,914,460	42,645,985	87,660,328	92,372,117

COST OF SALES

Data center	0	691,446	4,264,598	7,727,918	9,237,212
TOTAL COST OF SALES	0	691,446	4,264,598	7,727,918	9,237,212
MARKETING					
Salaries	424,004	1,943,233	3,151,437	3,886,688	4,290,086
Payroll taxes and expenses	127,200	582,964	945,422	1,165,995	1,287,013
Advertising	638,700	657,861	677,597	697,925	718,862
Printed Material	110,970	508,367	785,501	899,102	926,248
Meetings/Lectures	100,800	533,952	825,034	944,352	972,864
Travel and Entertainment	177,240	1,002,672	1,450,684	1,660,486	1,710,619
TOTAL MARKETING	1,578,914	5,229,049	7,835,674	9,254,546	9,905,693
DEVELOPMENT AND SUPPORT					
Salaries	4,167	105,417	539,458	1,086,983	1,439,698
Payroll taxes and expenses	1,250	31,625	161,838	326,095	431,910
Printed Material	195,300	1,006,632	1,551,798	1,775,947	1,829,225
Consulting, research and development	540,000	1,216,746	1,425,806	2,135,656	2,455,217
Amortization	0	24,996	24,996	24,996	24,996
TOTAL DEVELOPMENT AND SUPPORT	740,717	2,385,416	3,703,896	5,349,677	6,181,046
ADMINISTRATION					
Salaries					
Administration	457,000	723,100	795,410	874,951	962,446
Upstream energy	628,417	859,100	945,010	1,039,511	1,143,462
Downstream energy	321,333	842,300	926,530	1,019,183	1,121,101
Total salaries	1,406,750	2,424,500	2,666,950	2,933,645	3,227,010
Payroll taxes and benefits	422,025	727,350	800,085	880,094	968,103
Rent	103,575	194,438	271,882	319,623	339,341
Office expenses	41,000	100,350	164,649	211,618	231,250
Professional fees	70,008	72,108	74,271	76,500	78,795
Bad debt	0	34,572	213,230	438,302	461,861
Depreciation	34,747	87,381	125,060	152,396	170,134
Miscellaneous	0	69,145	426,460	772,792	923,721
TOTAL ADMINISTRATION	2,078,105	3,709,844	4,742,587	5,784,968	6,400,214
TOTAL EXPENSES	4,397,736	12,015,755	20,546,755	28,117,109	31,724,164
INCOME FROM OPERATIONS	(4,397,736)	(5,101,295)	22,099,230	59,543,219	60,647,953
INTEREST INCOME	263,840	299,692	102,463	506,848	1,076,382
NET INCOME (LOSS)	(4,133,896)	(4,801,603)	22,201,693	60,050,067	61,724,335
Distributions to Members				(6,087,739)	(7,825,042)
Beginning Retained Earnings	-	(4,133,896)	(8,935,499)	13,266,194	67,228,522

ENDING RETAINED EARNINGS	(4,133,896)	(8,935,499)	13,266,194	67,228,522	121,127,815
PROJECTED STATEMENTS OF CASH FLOW					
	End of Year				
	1	2	3	4	5
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income/loss	(4,133,896)	(4,801,603)	22,201,693	60,050,067	61,724,335
Items not requiring cash:					
Depreciation and Amortization	34,747	112,377	150,056	177,392	195,130
Bad debts	0	34,572	213,230	438,302	461,861
Changes in assets and liabilities:					
Accounts receivable		(1,921,097)	(5,684,909)	(3,241,040)	(1,103,197)
Software development costs	(240,000)	(80,000)	34,600	(5,562)	(5,729)
Accounts payable	279,885	224,636	(326,862)	468,977	(119,591)
NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES	(4,059,264)	(6,431,115)	16,587,807	57,888,135	61,152,808
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	(274,000)	(170,000)	(186,000)	(90,000)	(74,000)
NET CASH PROVIDED BY (used in)					
INVESTING ACTIVITIES	(274,000)	(170,000)	(186,000)	(90,000)	(74,000)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital stock issued	20,000,000				
Distribution to members				(6,087,739)	(7,825,042)
NET CASH PROVIDED BY (USED IN)					
FINANCING ACTIVITIES	20,000,000	0	0	(6,087,739)	(7,825,042)
NET CASH FLOW	15,666,736	(6,601,115)	16,401,807	51,710,396	53,253,766
CASH AT BEGINNING OF PERIOD	0	15,666,736	9,065,622	25,467,429	77,177,825
CASH AT END OF PERIOD	15,666,736	9,065,622	25,467,429	77,177,825	130,431,591

EXHIBIT 27





January 12, 2007

Internet Marketing
Robert Hainey
2348 Post Road
Suite 14
Warwick, RI 2886

Board of Directors

W. Marvin Watson
President and CEO
of Megahealth

Ambassador Jim Jones
Investment banker and
attorney.

Loren Carrol
CEO of Smith International

Michael Cantrel
Past president of the OIPA
Executive board of Save
Domestic Oil

J. Roger Kelley
CEO of Kelley Engineering

Dear Mr. Hainey:

Dealing with government regulations continues to add an increasing burden on industry. It siphons off profits directly through operating costs and indirectly through diluted focus on the "bottom-line" business of the company. The Oil and Gas E&P industry spends \$820,000,000.00 annually on regulatory consulting alone. Regulatory On Line, Inc. (ROL) proposes a solution that will provide significant relief to this problem. ROL has taken an established bricks and mortar business (regulatory consulting) and has added several significant, value-enhanced modifications that will make it the premier tool for achieving compliance with government regulations. While ROL is initially designed to penetrate the oil and gas exploration and production niche market, the design of this system is such that it is adaptable and scalable to any regulated market. The attached summary provides a brief description of the business plan, the market and the utility of this product.

ROL is seeking seed capital of \$2,000,000.00 to carry this venture through initial development and marketing, after which ROL will require an additional \$18,000,000.00 to penetrate the initial niche market and to prepare to enter additional markets. Mr. Michael Bradle has provided your name to ROL as a potential capital investor. If your interest is sufficient, we would like to provide you a detailed copy of the business plan with financials. Attached are an Executive Summary and a confidentiality agreement that we have designed to protect all parties. If you concur, please sign this agreement and return it to the following address and we will provide you with a copy of the business plan:

Regulatory On Line, Inc
P.O. Box 4067
Humble, Texas 77346
Attention: Danielle Owens

We would like the opportunity to present this plan in person if you are interested. If so, please call or email Roger Kelley (CEO) at 281-446-4427/jrkelly@regulatoryonline.com or Phil Rudd at 214-679-0014 / tcpchili@aol.com.

Sincerely,

Phil Rudd
V.P. and Director of Marketing, ROL, Inc.



Executive Summary

Regulatory-On-Line (ROL) will make it possible for regulated businesses to comply with the quagmire of government regulations facing industry today. It is an Internet based, fully automated, proprietary regulatory data management tool that will enable even the least astute to be successful in the area of governmental regulatory compliance. ROL consists of a full-featured, commerce-enabled, interactive business-to government (B2G) website coupled with offline data-entry companion software. ROL will make it possible for regulated businesses to determine what regulations apply to their operations and then to enter into a working session that will prompt the user to enter the appropriate information to determine and ultimately accomplish compliance with the applicable rule. The system will be designed to ultimately file the required regulatory reports and information electronically. The ROL system uses a patented automated system in the calculation and completion of these reports, while providing the user constant oversight during the entire process. The compliance thus generated will be filed electronically with the state and federal agencies using an electronic "pipeline" designed for that purpose, thereby creating the B2G business model.

As an automatic and user friendly system, ROL will allow the businessman to accomplish the regulatory compliance function with minimal input, thereby allowing him to focus on his main business without the worries and uncertainties that are inherent in government regulations. ROL will also allow the businessman to accomplish compliance functions in-house that might otherwise need to be "out-sourced" at a much greater cost. Using the ROL system provides the user a level of security and confidence that can only otherwise be achieved through a professional regulatory staff. The professional ROL team has the level of expertise necessary to provide the user with complete regulatory compliance packages on a much more cost-effective basis.

ROL's goal is to come out of the box with a first-to market, ad campaign that will make ROL a household name in the regulated community. Energy will be our first niche market, beginning with the oil and gas exploration and production industry. To achieve this high level of awareness, ROL will utilize the following:

- Key Industry Trade Journals
- Trade Association- Lectures / Presentations / Show / Newsletters,
- Direct Mail,
- Internet Web-Site,
- Outside Sales Force, And
- Testimonials And Letters Of Intent.

ROL plans to use a creative agency to enhance the professional appeal of the trade publication ads and the direct mail program. To be more cost effective in buying print media, ROL will negotiate a favorable contract with a media buying service that will have substantial buying power through its combined media buys for all of its clients.

ROL is seeking \$2,00,000.00 in seed capital to carry the business through the first six months of development. These funds will be used for creation of the program requirements document, completion of patented software and system development, initial marketing costs, development and support costs and administrative costs. ROL expects to generate revenues during the 13th month and net income beginning the 2nd month of the 3rd year.



REGULATORY ONLINE, INC.

Upon receipt of seed capital, ROL will pursue second round financing of \$18,000,000.00 to be used to enhance the penetration into the initial niche market as well as to pursue the development of other niche markets, i.e. refining-manufacturing, power-retail, banking, and international markets. Cost and revenue models will be developed to determine the profitability of each niche market. The ROL system is readably adaptable to these markets with minimal development costs due to the similarities in application.

ROL will be a clearinghouse for regulatory information for the regulated community worldwide. As a first to market product, ROL will take advantage of this position to capture a high level of market share and to establish itself as the industry standard for regulatory compliance and information brokering. In this position, ROL anticipates raising additional capital through an initial public offering (IPO) by the fifth year.



**CONFIDENTIALITY AND
NON-DISCLOSURE AGREEMENT**

This agreement is between Roger Kelley (Discloser) and _____ (Recipient), and is dated this _____ day of _____, 2001.

WHEREAS, Roger Kelley is the owner and proprietor of certain confidential and proprietary information relating to an Internet based, fully automated, proprietary regulatory data management tool (ROL System); and

WHEREAS, Recipient is desirous of receiving such information for the purpose of evaluating the ROL System.

The Parties, for good and valuable consideration, the sufficiency of which is hereby acknowledged, agree as follows:

1. Recipient will treat all confidential and proprietary information as confidential and agrees to not disclose any of such information to any third party without the express written permission of Discloser.
2. Discloser will mark "Confidential" on each document Discloser regards as containing confidential and proprietary information.
3. Recipient will not use any such information for any purpose whatsoever other than to evaluate the ROL System.
4. Recipient agrees to not compete with Discloser with a similar product for a similar market for a period of five (5) years from the date of this agreement.
5. If Recipient declines to participate in the ROL System with the Discloser or if this agreement is terminated for any reason, Recipient shall return all copies of documents containing confidential and proprietary information of Discloser, whether said documents are generated by Recipient or Discloser.
6. These restrictions shall not apply to any information which Recipient can show was in the public domain at the time of receipt, later enters the public domain through no fault or action of Recipient, or is later received from a third party not subject to any requirement of confidentiality.
7. Recipient acknowledges that monetary damages are inadequate in the event of breach and agrees that Discloser shall be entitled to an immediate and permanent injunction and such other remedies available at law and in equity.
8. This agreement shall expire five (5) years after the date first entered above.

Name Date

Company Title

EXHIBIT 28

